



2005

CITY OF NEW ORLEANS, LOUISIANA

Comprehensive Annual Financial Report

Year ended December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-7-05

Prepared by:

Department of Finance
Reginald Zeno
Director





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August 24, 2005

Ms. Suzanne Elliott
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70802

Dear Ms. Elliott:

Please be advised that the reporting package for the City of New Orleans was reissued because we failed to include our management letter with our original submission. Please include this letter with the report.

Thank you.

Very truly yours,

KPMG LLP

A handwritten signature in black ink that reads 'J. Mark Garrett'. The signature is written in a cursive, flowing style.

J. Mark Garrett
Partner

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**INTRODUCTORY
SECTION
(UNAUDITED)**

DEPARTMENT OF FINANCE
BUREAU OF ACCOUNTING
CITY OF NEW ORLEANS

C. RAY NAGIN
MAYOR

REGINALD ZENO
DIRECTOR

June 28, 2005

The Honorable Mayor and the City Council

City of New Orleans, Louisiana

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of New Orleans (City) for the year ended December 31, 2004.

The CAFR has been prepared in conformance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The City's basis of accounting and its various funds are explained in the notes to the accompanying financial statements.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures rests with the City. The City has implemented Government Accounting Standards Boards ("GASB") Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Our Comprehensive Annual Financial Report is divided into three sections:

- The Introductory Section includes a list of principal officials and information about the organizational structure of the City, its accounting and budgetary systems, and fund structure.
- The Financial Section includes the Basic Financial Statements. The financial statements are preceded by a management discussion and analysis which provides an overview of the City's financial activities in 2004. Schedules provide certain information and details of data summarized in the financial statements. The statements and schedules included in this section pertain to those operations which, when taken together, make up the reporting entity of the City.



- The Statistical Section includes tables containing historical financial data, debt statistics, and selected financial and demographic information of the City that are of interest to potential investors in our bonds and other readers, including ten-year revenue and expenditure information.

THE REPORTING ENTITY AND ITS SERVICES

New Orleans, the largest city in Louisiana, was founded in 1718 and incorporated in 1805. The City's system of government is established by its Home Rule Charter which became effective in 1954. The Louisiana Constitution prohibits the state legislature from enacting any law affecting the structure, organization, or distribution of the powers and functions of any local subdivision which operates under a Home Rule Charter. The City's Home Rule Charter may be amended only by a vote of a majority of qualified voters in the City, voting at an election called by the City Council on its own initiative, or upon receipt of a petition of not less than ten thousand registered voters.

The City has a Mayor-Council form of government. The Mayor is elected for a four-year term and is limited to two consecutive terms. The Mayor appoints the Chief Administrative Officer, who is his principal assistant and budget officer for the City. The City has executive departments and numerous affiliated boards and commissions, and provides a full range of services including police and fire protection, sanitation services, the construction and maintenance of streets and infrastructure, and recreational activities and cultural events.

The Council is the legislative body of the City government, and is comprised of five Council members elected from five geographic districts and two members elected at large. All Council members are limited to four-year terms. Laws are enacted through Council ordinance. The Council adopts the City's annual capital and operating budgets. Ordinances of the Council may be vetoed by the Mayor. Vetoes may be overridden by a two-thirds vote of the Council.

The financial statements of the reporting entity include those of the City (the primary government) and its component units in conformity with GASB Statement No. 34. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units – In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units. Each blended and discretely presented component unit has a December 31 year end. Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Blended Component Units -- For financial reporting purposes, the Board of Liquidation, City Debt is included (blended) in the operations and activities of the City because it handles all matters relating to the bonded debt of the City. Complete financial statements for this blended component unit may be obtained at the entity's administrative offices.

Discretely Presented Component Units - The financial statements of the City include all government activities, organization and functions for which the City is financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon the foregoing criteria, the financial statements of the following associated organizations are included in the basic financial statements:

Audubon Commission
Canal Street Development Corporation
Downtown Development District
French Market Corporation
Municipal Yacht Harbor Management Corporation
Louis Armstrong New Orleans International Airport
New Orleans Tourism Marketing Corporation
Orleans Parish Communication District
Upper Pontalba Building Restoration Corporation
Sewerage and Water Board of New Orleans

Current Louisiana law provides for the creation of several districts and independently elected public officials for the provision of certain services at the parish level. Examples would include the Orleans Parish School Board, Assessors, Civil and Criminal Sheriffs and Clerk of Court. These officials prepare their own budgets and operate independently of the City. The results of operations of those offices are not included in this report because there is a lack of financial accountability of these offices on the part of the City's elected officials.

YEAR IN REVIEW

Mayor C. Ray Nagin continues to build one New Orleans by creating the right environment to stimulate business growth, focusing on core industries, creating jobs and reducing poverty. There are a number of indicators that show New Orleans is on sound footing. In 2004, the New Orleans area gained 4,500 jobs. A recent Manpower survey shows employers plan to hire at far greater numbers than last year. **Recent U.S. Census Bureau figures show that since 2000, about 38,000 people have risen out of poverty in New Orleans at a time when the national average increased slightly.** According to *American City Business Journals*, per capita income in New Orleans is rising at the fastest rate in the nation – 4.59 percent annually since 2000. *Southern Business and Development* named New Orleans number 8 on its list of “come back kids” in the South, due to the growth of its film, biotech and tourism industries and general infrastructure development.

Traditional economic engines picked up steam while newer areas like film production and the cruise industry continued to see more business. New Orleans had a record 10.1 million visitors in 2004, an increase of 17 percent from the previous year. Louis Armstrong New Orleans International Airport also had its second-busiest year ever with 9.7 million passengers, pushing numbers back to pre-September 11, 2001 levels. Visitors also spent \$4.9 billion in 2004, about \$400 million more than 2003. New and different types of tourists are enjoying the city, including more than twice the number of families than in 2003. **A Yahoo/National Geographic Traveler poll named the city its number one family destination.**

Thanks to state tax credits and aggressive marketing by the City, film production continued to prove a burgeoning business for the New Orleans region. Since 2002, the area has seen about \$400 million of film production, including movies like the Oscar-award winning *Ray* with Jamie Foxx and *All the King's*

Men, featuring Sean Penn, Jude Law and Patricia Clarkson. According to *Moviemaker Magazine*, **New Orleans is now the 4th best place to film a movie in the nation.**

The Port of New Orleans is the fastest growing cruise ship port in the United States. About 800 percent more passengers, or an estimated 700,000 people, are cruising New Orleans than 10 years ago. The port has expanded its Julia Street Wharf, which is filled to capacity at peak times, while planning a new wharf at Erato Street and securing funding for a third at Poland Avenue. Local cruise business has \$150 million in direct economic impact and supports over 1,500 jobs. Passengers and crew spent \$91.5 million in 2004, including \$17.5 million on lodging and \$14 million on dining.

MAJOR INITIATIVES

The City's new department of housing, **Neighborhood 1**, offers a comprehensive plan for all of **New Orleans' 73 identified neighborhoods** while focusing on target areas initially identified in the seven Strategic Improvement Zones initiative. From 2002 through 2004, the office has assisted 363 families with down payment or closing costs. The City also awarded over \$32 million, which has been leveraged with \$75 million in other private-public dollars for a total of \$107 million in housing projects. With these funds, 868 units are complete and another 1,508 are underway for a total of 2,376 units.

One of Mayor Nagin's top priorities is to link employers to workers and job-seekers to work. The Job 1 office has reached more than 20,000 people in their communities with a total of five service centers throughout the city. **About 2,000 people received direct employment thanks to Job 1**, including jobs in fields like shipbuilding, healthcare, information technology and the service industry. The City also created the first-of-its-kind Contractor's College, a 10-week "boot camp" designed to empower small, minority, female and disadvantaged contractors to compete in the marketplace by helping them become bond-ready. *More than 40 graduates finished the first College and new classes are in the works.*

In November 2004, voters passed the largest bond issue in city history to bring \$260 million of improvements to roads, parks, playgrounds, senior centers and other public spaces. More than \$163 million is earmarked to repair both urban arterials and neighborhood streets. Youth development received a windfall of \$43 million designated for parks and playgrounds, plus another \$45 million for other public spaces.

The Nagin administration is using technology to create more efficiency and transparency in government. New Orleans recently jumped from 69th to 38th in Intel's list of "Most Unwired Cities," places with easy access to Internet without wires or cables. To enhance satisfaction among those who do business with the City, the 4th ranked city website in the nation now offers "lockbox" options, including online payment of sales and property taxes. An enhanced property database, parking ticket payment, pothole reporting and more than **30 other services are also available online to citizens.**

Compared with the previous administration, the City is now issuing 37 percent more permits and has reduced the wait time to 31 minutes, down from more than two hours. New Customer Service Kiosks help the system run smoothly and offer more convenience to citizens.

DEPARTMENT FOCUS

THE OFFICE OF HOMELAND SECURITY AND PUBLIC SAFETY

The New Orleans Office of Homeland Security and Public Safety has operational and planning authority for the New Orleans Police Department, New Orleans Fire Department, New Orleans Office of Emergency Preparedness and Office of Criminal Justice Coordination. Homeland Security serves as the headquarters for all staff members of the Urban Area Security Initiative. The office also has Fire Department and Police Department liaison officers who coordinate overlapping responsibilities.

The Office of Homeland Security seeks to provide the citizens of New Orleans with public safety services. This is accomplished through an organizational structure that protects the citizens of New Orleans and responds to acts of:

- Terrorism
- Natural Disaster
- Criminal Activity
- Fire
- Medical Emergencies
- Weapons of Mass Destruction

Divisions within the Office of Homeland Security and Public Safety

New Orleans Police Department

The NOPD strives to provide professional police services to the public in order to maintain order and protect life and property, with an emphasis on serving all citizens and communities in a fair manner. Divisions include:

- Office of the Superintendent of Police
- Policy, Planning and Training
- Operations
- Technical and Support
- Public Integrity
- Fiscal and Human Resource Management

New Orleans Fire Department

The NOFD responds to all emergency situations in the City of New Orleans to save lives, while striving to reduce the incidence of fire and injuries to civilians and fire personnel. Responsibilities include:

- Fire suppression
- Community outreach
- Training
- Communications
- Administration
- Prevention

Office of Emergency Preparedness

The Office of Emergency Preparedness is responsible for the response and coordination of actions needed to protect the lives and property of citizens from natural or man-made disasters as well as emergency planning for the City of New Orleans. Duties include:

- Advising the Mayor, City Council and Chief Administrative Officer
- Coordinating city departments and allied state and federal agencies
- Facilitating requests for federal disaster assistance and federal funding

Office of Criminal Justice Coordination

The Office of Criminal Justice Coordination coordinates all public and private efforts in the crime reduction and criminal justice arenas. Responsibilities include:

- Administering United States Department of Justice grants
- Staffing the Criminal Justice Coordinating Council

ECONOMIC OUTLOOK

Over the four quarters ending in the fourth quarter of 2004, the number of residents employed increased by 2,174 or 1.18% in the city, 7,435 or 1.91% in the suburbs and 27,606 or 1.43% statewide. The unemployment rate over the period fell from 6.1% to 5.8% in the city; fell from 4.8% to 4.5% in the suburbs, 5.7% to 5.4% statewide and from 5.9% to 5.4% nationally.

The convention industry did well over the four quarters. Deplanements at the New Orleans International Airport rose 3.67% over the period while meeting attendance for the fourth period 2004 rose by 63,891 over the same period in 2003, a very robust 18.55% increase. Average attendance per meeting rose 170.01% from 561 to 1,515. However, the number of meetings recorded by the Tourist and Convention Bureau decreased by 52.93%, which coupled with a 17.38% fall in hotel nights per conventioner, causing the total number of room nights to decline by 2.06%. Hotel expenditures in the city, on the other hand, increased by 8.54% over the four quarters with retail sales recording a remarkably robust increase of 23.27% for the last three months of 2004 over the last three months of

2003. In addition, New Orleanians spent 5.25% more on vehicles during the fourth quarter of 2004 than they did for the same period in 2003. The retail sales achievements of the fourth quarter 2004 are unprecedented. The City has not experienced fourth quarter growth of this magnitude since the fourth quarter of 1986, a time when the convention center provided the catalyst for an accelerating convention industry.

FINANCIAL CONTROLS

The City's administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The city is required to undergo an annual single audit in conformity with the U.S. Office of Management and Budget Circular A-133, "Audit of States, Local Governments, and Not-for-Profit Organizations." Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations can be found in the separate report on the single audit of the City of New Orleans.

BUDGETARY PROCEDURES

The City's Charter requires the annual preparation of a balanced operating budget. It prohibits the Department of Finance from approving any expenditure under any portion of the annual operating budget unless sufficient revenues have been appropriated by the City Council to finance the proposed expenditure. The City Council is required to appropriate the necessary tax and other revenue measures to produce a balanced budget. In addition, no budgeted expenditures may be made unless authorized by the Mayor or the Chief Administrative Officer through an allotment system.

The City monitors revenues and expenditures closely during the year. Transfers within the budget are adopted by the City Council when necessary to increase or curtail budgeted expenditures to ensure a balanced budget.

The City maintains budgetary controls at the departmental level by cost object classification and allocates appropriations on a quarterly basis. These cost object classifications were originally specified as four by the City's Home Rule Charter (the Charter): personal services of officials and employees; contractual services; supplies; and equipment and property. However, charter amendments adopted late in 1995 amended those classifications to three classifications for subsequent years which are classified as: personal services, other operating expenses, and debt service. Although all expenditures are recorded at the individual line item level, they are summarized for reporting purposes in these three expenditure classifications.

Encumbrances are recorded via the Bureau of Accounting through an on-line processing system before the requisitions are electronically transmitted to the Bureau of Purchasing. If sufficient funds are not available to cover a purchase, the requisition is rejected and returned to the originating department for appropriation or allotment changes, transfer of funds, or cancellation. Appropriations are allowed to be amended through councilmanic action during the year and all unencumbered appropriations lapse at year-end. The City Charter, as well a state law, does not allow deficit spending. The Department of Finance is able to control all of the above through a computerized financial management system initiated in 1997 and the use of a program budget. The basic concept of program budgeting rests on the tenet that public expenditures should be justified by their impact on public goals and not measured solely by the criteria of efficiency and economy.

CAPITAL BUDGET

The Mayor annually recommends to the City Council a capital improvement program for the next five years and a capital budget by project for the first year of the program. The City Council is obligated to approve a capital budget program and adopt a capital budget before it adopts the annual operating budget. The capital program and budget must show the amounts and sources of money for each project. The amounts budgeted constitute appropriations from the funds indicated when they become available. Expenditures for capital projects are made through the capital projects fund.

BUDGETARY AND FINANCIAL REPORTING

The fund structure by which the financial transactions of the City of New Orleans are recorded is defined in the 1954 Home Rule Charter. All general governmental functions other than debt service and capital improvements are accounted for in the general fund.

Encumbrances of the current year are recorded as obligations against budgetary appropriations and are included in the columns titled "Actual on a Budgetary Basis" in the statements in the financial section of this report. Appropriations neither encumbered nor expended lapsed at the end of the fiscal year.

There were no significant variances in budgeted to actual on budgetary basis in total revenues and total expenses. *There was a significant favorable variance in proceeds from bond issuance due an issuance which was not budgeted.*

RISK MANAGEMENT

The City maintains a self-insurance program for its motor vehicle fleet, general liability, and police department excessive force losses. Premiums are charged to the City's various funds for the unemployment and worker's compensation self-insurance programs and to employees and the City's various funds for the hospitalization self-insurance programs. In addition, the City's Risk Management Division works toward reducing the number of claims which proceed to lawsuits, shorten length of time in which a claim is processed or resolved, and provides investigations and support services and employs various risk control techniques.

INDEPENDENT AUDIT

The City Charter requires an audit of the financial statements of all accounts of the City by an independent certified public accountant selected by the City Council. Accordingly, this year's audit was completed by KPMG LLP with assistance from Bruno and Tervalon, CPAs, Luther Speight, CPAs, and Duplantier, Hrapmann, Hogan and Maher, LLP, among others.

AWARD FOR FINANCIAL REPORTING

The Government Finance Officer's Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governments for their comprehensive annual financial reports. In order to be awarded a Certificate of Achievement, governments are required to publish an easily readable and efficiently organized comprehensive annual financial report.

In 1994, 1996, 1997, 1998, 2000, 2001, and 2002, the City of New Orleans was awarded the Certificate of Achievement for Excellence in Financial Reporting.

We believe that our current annual financial report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the patience and dedication of the entire staff of the Finance Department; however, a special word of appreciation is due to the Bureau of Accounting staff who prepared this financial report while coping with the hectic day-to-day work which must be done. I would also like to express my appreciation to all members of the Finance Department and the staff of other departments, boards, and agencies of the City who assisted and contributed to the preparation of this report.

Finally, I would like to acknowledge the helpful suggestions and support received from the Mayor, CAO, and staff members of the City Council and Council Audit Committee. Their support is greatly appreciated.

Respectfully submitted,



Reginald Zeno
Director of Finance

CITY OF NEW ORLEANS, LOUISIANA

Selected Officials

December 31, 2004

The City Council

Mr. Oliver M. Thomas, Jr.	Councilmember-at-Large
Mr. Eddie L. Sapir	Councilmember-at-Large
Mr. John A. Batt, Jr.	Councilmember – District A
Ms. Renee' Gill Pratt	Councilmember – District B
Ms. Jacquelyn Brechtel Clarkson	Councilmember – District C
Mr. David Payton	Councilmember – District D
Ms. Cynthia Willard-Lewis	Councilmember – District E

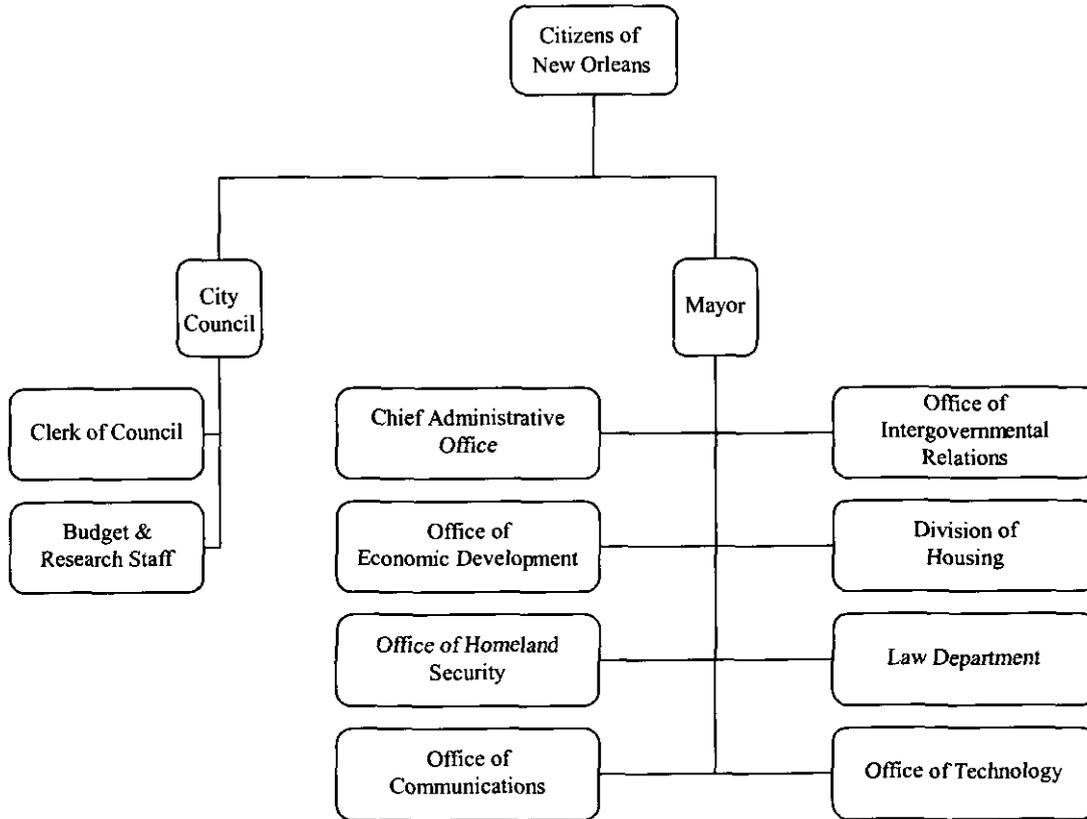
The Executive Staff

Mr. C. Ray Nagin	Mayor
Mr. Charles L. Rice, Jr.	Chief Administrative Officer
Mr. Greg Meffert	Chief of Technology
Ms. Sherry Landry	City Attorney
Ms. Sally Foster	Director of Communications
Mr. Terry Ebbert	Director of Homeland Security
Mr. Kenya Smith	Executive Counsel
Mr. Don Hutchinson	Executive Assistant, Economic Development
Md. Alberta Pate	Executive Assistant, Housing
Ms. Brenda Hatfield	Executive Assistant, Intergovernmental Relations
Mr. Reginald Zeno	Director of Finance

The Department Heads

Ms. Yolanda Rodriguez	City Planning
Ms. Lynne Schackai	Acting Director, Civil Service
Dr. Kevin Stephens	Director, Health
Mr. Richard A. Winder	Director, Human Services
Ms. Ann McDonald	Director, Parkway and Parks
Mr. Ted Melson	Director, Property Management
Mr. John H. Shires	Director, Public Works
Ms. Charlene Braud	Director, Recreation
Mr. Mike Centineo	Director, Safety and Permits
Ms. Veronica White	Director, Sanitation
Ms. Marcia St. Martin	Director, Sewerage and Water Board
Mr. Charles Parent	Superintendent, Fire
Mr. Edwin Compass	Superintendent, Police

New Orleans City Government Organizational Chart



FINANCIAL SECTION



KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

Independent Auditors' Report

The Honorable Mayor and Members
City Council of the City of New Orleans, Louisiana:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans, Louisiana (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development District of the City of New Orleans, the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, and the Canal Street Development Corporation, which represent 79% and 77%, respectively, of the assets and revenues of the aggregate discretely presented component units; the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, and the Employees' Retirement System of the City of New Orleans, which represent 82% of the assets and 53% of the additions and revenues of the aggregate remaining fund information; and the Board of Liquidation, City Debt, which is a major fund and 9% and 10% of assets and revenues of the governmental activities, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Downtown Development District of the City of New Orleans, the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Canal Street Development Corporation, the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, the Employees' Retirement System of the City of New Orleans, and the Board of Liquidation, City Debt, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Employees' Retirement System of the City of New Orleans were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans, Louisiana, as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis (on pages 3 to 11), the budgetary comparison information (on pages 60 to 62), and the schedules of funding progress (pages 51 and 52) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and capital assets schedules, supplemental schedules and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining statements and capital assets schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, supplemental schedules, and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

KPMG LLP

New Orleans, Louisiana
June 29, 2005

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the City of New Orleans, Louisiana's (the City), financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, the City's financial statements and the notes to the financial statements.

Financial Highlights

- The City's total net assets on the government-wide basis totaled \$307.1 million at December 31, 2004; total assets exceeded \$1.8 billion.
- The Government-wide Statement of Activities reported a decrease in net assets of \$188.3 million largely due to the increased recording of depreciation expense and judgment liabilities.
- The General Fund reported an excess of expenses and other financing uses over revenues of \$11.3 million for a total ending General Fund fund balance at December 31, 2004 of \$32.6 million. The General Fund Undesignated Fund Balance at December 31, 2004 is \$3.1 million.
- Total Governmental Funds reported an increase in fund balance of \$13.3 million.
- Total cash and investments of Governmental funds amounted to \$265.2 million at December 31, 2004, an increase of \$23.6 million over the beginning of the year total.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide greater detail of data presented in the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year ended December 31, 2004. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. earned but unused leave for vacations).

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and human services, culture and recreation, urban development and housing and economic development. All of the business-type activities of the City are undertaken through component units which are presented separately.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources. Such information may be useful in evaluating government's financing requirements.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its five major funds: the general fund, the HUD grant fund, the Federal UDAG fund, the debt service fund and the capital projects fund. Data from the other governmental funds are combined under the heading, 'Nonmajor governmental funds'. Individual fund data for each nonmajor governmental fund is provided in the Nonmajor governmental funds combining statements.

Proprietary Funds. The City does not directly maintain proprietary funds. Proprietary activities are included within Component Units of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

major fund for which an annual budget is adopted. Information concerning the City's progress in funding its obligation to provide pension benefits to its employees is included in the notes to the financial statements.

Combining and Individual Fund Statements and Schedules. Combining schedules provide detail in connection with non-major governmental funds. Individual fund statements provide greater detail, presented on the basis of budgetary accounting (encumbrances included with expenditures), for the General Fund, non-major special revenue funds, and debt service fund. Capital Asset schedules present information concerning the categories of assets, function and service provided, and source of funding.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets exceeded liabilities by \$307.1 million at December 31, 2004.

Net Assets

December 31, 2004 and 2003

(In thousands)

	Governmental Activities	
	2004	2003
Current and other assets	\$ 402,328	381,977
Capital assets	1,465,693	1,459,385
Total assets	<u>1,868,021</u>	<u>1,841,362</u>
Long-term liabilities	1,354,842	1,278,994
Other liabilities	206,069	66,971
Total liabilities	<u>1,560,911</u>	<u>1,345,965</u>
Net assets:		
Invested in capital assets, <i>net of related debt</i>	817,046	834,329
Restricted	33,062	31,274
Unrestricted (deficit)	<u>(542,998)</u>	<u>(370,206)</u>
Total net assets	<u>\$ 307,110</u>	<u>495,397</u>

The City's Statement of Net Assets reflects its "Investment in Capital Assets", land, buildings, and equipment, less any related debt used to acquire those assets that is still outstanding; in the amount of \$817.0 million at December 31, 2004. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

Debt service funds have accumulated \$33.2 million at December 31, 2004 to provide for the servicing of annual interest and principal payments on bonds and are classified in restricted net assets.

The unrestricted deficit net assets in the amount of \$543.0 million is due to the City's recording of long-term obligations including claims and judgments liabilities, accrued annual and sick leave, and Section 108 loans payable to HUD. Unrestricted deficit increased by \$172,792 which is primarily due to an increase in the accrual for claims and judgments in the amount of \$138,000. The City continues to accumulate judgments against the City and has utilized bond issues to partially pay down their obligations.

Governmental Activities

Governmental activities decreased the City's net assets by \$188.2 million. Key elements of this decrease are as follows:

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues:		
Charges for services	\$ 115,935	107,600
Operating grants and contributions	85,740	90,215
Capital grants and contributions	15,478	13,405
General revenues:		
Property taxes	146,065	130,961
Sales taxes	153,851	148,855
Other taxes	56,222	55,830
Other	25,158	28,355
Total revenues	<u>598,449</u>	<u>575,221</u>
Expenses:		
General government	332,685	294,275
Public safety	187,284	195,016
Public works	123,926	132,901
Health and human services	20,836	19,798
Culture and recreation	25,119	26,956
Urban development and housing	23,760	20,553
Economic development	15,149	14,218
Interest and fiscal changes	57,977	53,536
Total expenses	<u>786,736</u>	<u>757,253</u>
Decrease in net assets	(188,287)	(182,032)
Net assets, beginning	<u>495,397</u>	<u>677,429</u>
Net assets, ending	<u>\$ 307,110</u>	<u>495,397</u>

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

General government expense increased \$38.4 principally due to net increases in claims and judgments accruals of \$28 million while public safety increased due to additional pension expense, depreciation on newly acquired vehicles and increase in salaries.

Public works expense decreased \$10.0 million principally due to decrease in non-capitalizable repairs.

Financial Analysis of the Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$266.8 million, an increase of \$13.2 million in comparison with the prior year. Approximately 11.7% of this total amount (\$31.3 million) constitutes unreserved-undesignated fund balance, which is available for spending at the government's discretion. The unreserved-designated fund balance in the amount of \$97.5 million indicates that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period. The reserved fund balance in the amount of \$138.1 million is primarily reserved to pay debt service (\$33.2 million), fund additional capital projects (\$50.7 million), and fund certain judgments (\$19.6 million).

The General Fund is the chief operating fund of the City. At December 31, 2004, unreserved fund balance of the General Fund was \$ 3.1 million, while total fund balance reached \$32.6 million.

The fund balance of the City's general fund increased by \$11.3 million during the fiscal year ended December 31, 2004. Key factors in this increase are as follows:

- Revenues and other financing sources for the general fund in 2004 totaled approximately \$486.5 million. These revenues represent a \$44.2 million increase compared to 2003, since revenues and other net financing sources (uses) for 2003 totaled \$442.3 million. Factors contributing to major changes in revenues from the prior year include the following:
- Taxes increased \$11.8 million in 2004 as compared to 2003. This increase was primarily due to the increase in collection of Real Estate and Sales taxes.
- License and Permit fees decreased \$.8 million in 2004 in comparison to 2003. This decrease was due to a reduction in building permits related to major construction in the City.
- Charges for Services increased \$3.2 million, which was primarily due to an increase in collection of delinquent sanitation service fees and other service charges.

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

- Interest income decreased in 2004 by \$1.0 million due to declining interest rates and a reduction of available idle cash.
- Proceeds from issuance of certificates of indebtedness of \$40.4 million.
- Total expenditures for 2004 were \$475.2 million, an increase of \$30.2 million compared to 2003. This increase is due in large part to an increase in the cost of personnel services (\$17.1 million).

The accompanying table shows the amount (in thousands) of general fund revenues by source for 2004 and 2003.

Revenues and Other Financing Sources	2004 Actual	% of Total	Increase (Decrease) over 2003	2003 Actual	% of Total
Taxes	\$ 264,807	54.43%	11,774	253,033	57.21%
Licenses and permits	64,190	13.19	(769)	64,959	14.69
Intergovernmental	14,989	3.08	1,484	13,505	3.05
Charges for services	52,378	10.77	3,215	49,163	11.12
Fines and forfeits	17,802	3.66	4,835	12,967	2.93
Interest income	3,452	0.71	(1,002)	4,454	1.01
Contributions, gifts, and donations	11,784	2.42	(7,642)	19,426	4.39
Miscellaneous	16,258	3.34	3,869	12,389	2.80
Other financing sources (uses) net	40,858	8.40	28,479	12,379	2.80
	<u>\$ 486,518</u>	<u>100.00%</u>	<u>44,243</u>	<u>442,275</u>	<u>100.00%</u>

The decrease in contributions, gifts and donations is due to reductions in interest received from escrowed accounts of \$8.4 million.

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Total fund balance for the Debt Service Fund was \$33.2 million at December 31, 2004, which was a \$1.9 million increase over the prior year balance of \$31.3 million.

Capital Project Funds

The Capital Projects Fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities other than those accounted for in the Component Units. Expenditures for capital improvement projects in 2004 totaled \$58.1 million, a decrease of \$37.1 million compared to the 2003 total due principally to the fact that in 2003 \$33 million was used to pay off capital leases. Fund balances available for capital projects totaled \$145.8 million at December 31, 2004.

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

Capital Assets

Capital assets at December 31, 2004 and 2003 are as follows (net of depreciation):

	<u>2004</u>	<u>2003</u>
Land	\$ 103,372	88,105
Construction in progress	236,837	214,544
Buildings, improvements, and equipment	140,473	124,061
Other	2,384	2,080
Infrastructure assets	<u>982,627</u>	<u>1,030,595</u>
	\$ <u>1,465,693</u>	<u>1,459,385</u>

During 2004, the City completed its \$13 million land acquisition for the Convention Center expansion. In addition, the City completed approximately \$24 million in building improvements. The City recorded depreciation expense of \$69.3 million.

Debt Administration

Outstanding general obligation bonds at December 31, 2004 totaled \$637.3 million all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding.

Outstanding Debt

	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 637,285	619,441
Limited tax bonds	3,840	5,615
Revenue bonds	<u>166,260</u>	<u>159,160</u>
	807,385	784,216
Certificates of indebtedness	150,092	135,022
Section 108 HUD loans	<u>37,875</u>	<u>39,490</u>
	\$ <u>995,352</u>	<u>958,728</u>

The following is a summary of debt transactions:

Debt at December 31, 2003	\$ 958,728
New issues	88,980
Payments	(56,334)
Accretion	<u>3,978</u>
Balance at December 31, 2004	\$ <u>995,352</u>

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

The ratio of general bonded debt to assessed value of taxable property and the amount of general bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors.

Outstanding general obligation bonds at December 31, 2004 totaled \$499,852,000 all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding. Exhibits H-8 through H-12 in the statistical section of this report present more detailed information about the debt position of the City.

During the current fiscal year, the City issued new debt. Issues include:

- \$44.5 million of public improvement bonds for the acquisition, construction, improvement, and renovation of public buildings and facilities.
- \$44.5 million of certificates of indebtedness for partial payoff of prior debt, payments on judgments against the City and acquisition of vehicles and other equipment.

The Louisiana Legislature, in Act 1 of 1994, increased the City's general obligation bond debt limit to an amount equal to the greater of (i) \$500,000,000 or (ii) 35% of total assessed valuation of the City. Under Act No. 1 of the City's debt limit, based on the most recent assessed valuations, is \$875,306,000 as of December 31, 2004. At December 31, 2004, the City's legal debt margin (after the reduction for outstanding general obligation bonds and limited tax bonds totalling \$503,692,000 less \$33,062 available in Debt Service Funds) was \$404,657.

As of the end of 2004, the City's general obligation bonds were rated "Baa1" uninsured and "Aaa" insured from Moody's Investor Service and "BBB+" from Standard and Poor's Corporation (MBIA Insured).

Economic Factors and Next Year's Budgets and Rates

The historic culture of New Orleans attracts visitors from every part of the globe. Successful crime prevention initiatives and proactive economic development programs have helped to make the City the world's number one destination for culture, music, and food.

New Orleans is world-renowned as a leader in hosting large-scale events. The City's Mardi Gras celebration, which generates over a \$1 billion economic impact, the Jazz & Heritage Festival, Bayou Classic, and summer Essence Festival are annual attractions drawing millions of visitors.

The film and music industries of New Orleans generate a combined economic impact of \$2 billion annually, and show that the City's charm makes it a natural for new entertainment growth. Popular annual sporting events hosted in New Orleans include the Sugar Bowl and the Bayou Classic.

All of these factors were considered in preparing the City's budget for the 2005 fiscal year.

CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

For the fiscal year ended December 31, 2004

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, City of New Orleans, 1300 Perdido Street, Room 3E06, New Orleans, Louisiana 70112.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Net Assets

December 31, 2004

(Amounts in thousands)

Assets	<u>Primary Government Governmental activities</u>	<u>Component units</u>
Cash and cash equivalents	\$ 60,059	38,305
Investments	205,112	28,441
Receivables (net of allowance for uncollectibles):		
Taxes	26,769	4,738
Accounts	13,811	25,988
Interest	64	582
Grantee loans	24,298	235
Other	—	2,147
Due from other governments	43,171	2,250
Other assets	1,475	35,283
Restricted assets	—	447,875
Prepaid pension asset	27,569	—
Capital assets (nondepreciable):		
Land	103,372	99,997
Construction in progress	236,837	387,469
Depreciable capital assets:		
Equipment and vehicles	43,599	414,382
Buildings and improvements	225,447	1,342,510
Other	15,066	213,522
Infrastructure	2,190,069	320,996
Accumulated depreciation	(1,348,697)	(936,988)
Total assets	<u>1,868,021</u>	<u>2,427,732</u>
Liabilities		
Accounts payable	99,469	30,785
Retainages payable	—	5,900
Accrued expenses	183	49,384
Accrued interest payable	7,022	4,034
Capital lease payable	—	1,892
Due to other governments	1,165	2,101
Deferred revenues	148	315
Deposits and other	—	5,436
Non-current liabilities due within one year	98,082	162,778
Non-current liabilities due in more than one year	1,354,842	521,340
Total liabilities	<u>1,560,911</u>	<u>783,965</u>
Net Assets		
Invested in capital assets, net of related debt	817,046	1,415,186
Restricted for debt service	33,062	46,202
Restricted for capital improvement	—	111,546
Unrestricted (deficit)	(542,998)	70,833
Total net assets	<u>\$ 307,110</u>	<u>1,643,767</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Balance Sheet — Governmental Funds

Year ended December 31, 2004

(Amounts in thousands)

Assets	General	HUD grant fund	Federal UDAG	Debt service	Capital projects	Nonmajor governmental funds	Total governmental funds
Cash and cash equivalents	\$ 23,601	752	3,487	—	23,243	8,976	60,059
Investments	19,075	—	—	33,245	127,129	25,663	205,112
Receivables, net:							
Interest	64	—	—	—	—	—	64
Sales taxes	17,579	—	—	—	—	—	17,579
Property taxes	5,573	—	—	—	—	—	5,573
Accounts	13,258	91	—	—	15	447	13,811
Grantee loans	—	—	19,496	—	—	4,802	24,298
Franchise taxes	3,617	—	—	—	—	—	3,617
Due from other funds	26,679	—	—	—	—	731	27,410
Due from other governments	4,012	9,356	—	—	6,955	10,163	30,486
Advances from other funds	252	—	—	—	—	—	252
Other assets	—	—	—	—	—	12	12
Total assets	\$ 113,710	10,199	22,983	33,245	157,342	50,794	388,273
Liabilities							
Accounts payable	\$ 67,932	5,193	42	—	10,958	10,331	94,456
Accrued expenses	5,013	—	—	183	—	—	5,196
Due to other funds	2,194	5,006	—	—	10	7,515	14,725
Due to other governments	319	—	—	—	537	309	1,165
Advances to other funds	—	—	—	—	—	252	252
Deferred revenues	5,690	—	—	—	—	—	5,690
Total liabilities	\$ 81,148	10,199	42	183	11,505	18,407	121,484
Fund Balances							
Fund balances:							
Reserved:							
Unreserved:	\$ 26,813	—	22,941	33,062	50,725	4,543	138,084
Designated for subsequent year	2,611	—	—	—	94,741	104	97,456
Undesignated, reported in:							
General Fund	3,138	—	—	—	—	—	3,138
Special Revenue Funds	—	—	—	—	—	27,740	27,740
Capital Projects Fund	—	—	—	—	371	—	371
Total fund balances	\$ 32,562	—	22,941	33,062	145,837	32,387	266,789
Total liabilities and fund balances	\$ 113,710	10,199	22,983	33,245	157,342	50,794	388,273

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Reconciliation of Balance Sheet — Governmental Funds to the
Statement of Net Assets

December 31, 2004

(Amounts in thousands)

Total fund balances — governmental funds	\$ 266,789
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,465,693
Certain receivables are not available to pay for the current period's expenditures and, are therefore, deferred in the funds	5,542
Bond issue costs are capitalized and amortized over the life of the bonds in the government-wide statement of net assets	1,536
Interest expense is accrued at year-end in the government-wide financial statements, but is recorded only if due and payable on the governmental fund financial statements	(7,022)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term liabilities consist of:	
Bonds payable	(807,385)
Certificates of indebtedness	(150,092)
Annual and sick leave	(52,018)
Claims payable	(393,885)
Net pension obligation	(491)
Other long-term liabilities	(49,126)
The prepaid pension asset is not available to pay for the current period expenditures and is therefore not reported in the funds.	<u>27,569</u>
Total net assets — governmental activities	<u>\$ 307,110</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds

Year ended December 31, 2004

(Amounts in thousands)

	General	HUD grant fund	Federal UDAG	Debt service	Capital projects	Nonmajor governmental funds	Total governmental funds
Revenues:							
Taxes	264,807	—	—	56,419	—	7,284	328,510
Licenses and permits	64,190	—	—	—	—	—	64,190
Intergovernmental	14,989	25,732	—	—	15,198	32,378	88,297
Charges for services	52,378	—	—	—	—	—	52,378
Program income	—	89	206	—	—	270	565
Fines and forfeits	17,802	—	—	—	—	4,865	22,667
Interest income	3,452	—	235	796	—	118	4,601
Contributions, gifts and donations	11,784	—	—	—	—	1,941	13,725
Miscellaneous and other	16,258	—	—	372	—	12,847	29,477
Total revenues	445,660	25,821	441	57,887	15,198	59,703	604,410
Expenditures:							
Current:							
General government	147,596	2,040	—	743	—	22,523	172,902
Public safety	180,452	1,145	—	—	—	3,559	185,156
Public works	67,883	975	—	—	—	497	69,355
Health and human services	13,707	131	—	—	—	6,937	20,775
Culture and recreation	22,846	724	—	—	—	1,305	24,875
Urban development and housing	469	20,806	1,895	—	—	558	23,728
Economic development and assistance	—	—	—	—	—	15,149	15,149
Capital projects	—	—	—	—	58,144	—	58,144
Debt service:							
Principal	23,096	—	—	20,909	—	—	44,005
Interest and fiscal charges	19,173	—	—	34,236	—	—	53,409
Total expenditures	475,222	25,821	1,895	55,888	58,144	50,528	667,498
(Deficiency) excess of revenue over expenditures	(29,562)	—	(1,454)	1,699	(42,946)	9,175	(63,088)
Other financing sources (uses):							
Transfers in	15,472	—	—	—	47,000	2,269	64,741
Transfers out	(2,269)	—	—	(33,001)	—	(29,471)	(64,741)
Issuance of long-term debt	40,415	—	—	33,000	15,565	—	88,980
Premium on issuance of long-term debt	—	—	—	90	37	—	127
Payment to escrow	(12,760)	—	—	—	—	—	(12,760)
Other, net	—	—	—	—	10	—	10
Total other financing sources (uses)	40,858	—	—	89	62,612	(27,202)	76,357
Net change in fund balances	11,296	—	(1,454)	1,788	19,666	(18,027)	13,269
Fund balances -- beginning	21,266	—	24,395	31,274	126,171	50,414	253,520
Fund balances -- ending	32,562	—	22,941	33,062	145,837	32,387	266,789

See accompanying notes to basic financial statements

CITY OF NEW ORLEANS, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

Year ended December 31, 2004

(Amounts in thousands)

Net change in fund balances – total governmental funds	\$ 13,269
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset expenditures in the current period.	6,308
Bond issue cost of \$751 were capitalized in the current year and amortization in the amount of \$47 was recorded.	704
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in deferred revenue.	(5,962)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, which has no effect on net assets.	(88,980)
The repayment of long-term debt consumes the current financial resources of governmental funds, which has no effect on net assets.	50,741
The net increase in long-term liabilities are not recorded in the governmental funds.	(135,719)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, ie. net changes in interest accrual.	(1,556)
Pension contributions are recorded as expenditures when paid by the governmental funds. Pension expense is recorded based on the annual pension cost in the statement of activities. This is the amount that the annual pension cost exceeded pension contributions.	(27,092)
Change in net assets of governmental activities	<u>\$ (188,287)</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Fiduciary Net Assets

December 31, 2004

(Amounts in thousands)

Assets	Pension Trust Funds	Agency Funds
Cash	\$ 8,982	22,290
Investments:		
Cash equivalents	55,554	—
U.S. Government obligations	47,258	—
Corporate bonds	96,353	—
Corporate stock	350,834	—
Notes receivable	20,106	—
Mutual funds	39,945	—
Investment in Corporations	8,441	—
Investment in Limited Liability Corporations	16,130	—
Investment in Partnership	26,656	—
Investment in Trust	1,063	—
Investments held by broker-dealers in which collateral may be reinvested:		
Bonds	—	—
Stocks	—	—
Louisiana Asset Management Pool	—	51,438
Other	40,484	—
Receivables:		
Accounts	—	984
Accrued interest	4,804	—
Contribution	498	—
Other	7,003	—
Due from other governments	—	2,724
Due from other funds	—	4,584
Capital assets, net of accumulated depreciation	39	—
Other assets	—	—
Total assets	<u>724,150</u>	<u>82,020</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	252	10,291
Other payables and accruals	9,794	24,410
Due to other funds	—	17,269
Due to other governments	—	30,050
Notes payable	17,904	—
Total liabilities	<u>27,950</u>	<u>82,020</u>
Net assets:		
Net assets held in trust for pension benefits	<u>\$ 696,200</u>	<u>—</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Statement of Changes in Fiduciary Net Assets
Year ended December 31, 2004
(Amounts in thousands)

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 8,151
Members	5,376
Fire insurance rebate	8,833
Total contributions	<u>22,360</u>
Investment income:	
Net appreciation in fair value of investments	57,106
Interest and dividends	14,353
Other investment income	2,844
Total investment income	<u>74,303</u>
Less investment expense	<u>(9,466)</u>
Net investment income	<u>64,837</u>
Other income	<u>—</u>
Total additions	<u>87,197</u>
Deductions:	
Pension benefits	47,694
Refunds of member contributions	805
Death benefits	78
Administrative expenses	1,054
DROP withdrawal	3,044
PLOP withdrawal	1,113
Transfers to other plans	1,993
Total deductions	<u>55,781</u>
Increase in net assets	31,416
Net assets held in trust for pension benefits – beginning of year	<u>664,784</u>
Net assets held in trust for pension benefits – end of year	<u>\$ 696,200</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2004

(Amounts in thousands)

Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Current assets:					
Cash and cash equivalents	\$ 1,970	10,304	3,044	22,987	38,305
Investments	—	21,691	—	6,750	28,441
Receivables (net of allowances for uncollectibles):					
Property taxes	—	—	4,738	—	4,738
Accounts	329	8,331	13,188	4,140	25,988
Accrued interest	—	131	419	32	582
Grants	—	—	235	—	235
Other	—	—	1,542	605	2,147
Due from other governments	—	9	746	1,495	2,250
Inventory of supplies	760	129	9,110	—	9,999
Prepaid expenses and deposits	1,074	1,430	631	205	3,340
Other assets	—	—	—	—	—
Total current assets	<u>4,133</u>	<u>42,025</u>	<u>33,653</u>	<u>36,214</u>	<u>116,025</u>
Restricted cash and investments:					
Customer deposits	—	—	5,336	—	5,336
Construction account	—	—	225,529	11,433	236,962
Current debt service account	1,149	6,378	9,004	—	16,531
Future debt service account	—	8,952	22,254	—	31,206
Contingency (renewal and replacement) account	—	2,030	—	2,467	4,497
Operation and maintenance account	—	7,733	—	—	7,733
Capital improvements	191	32,213	85,777	—	118,181
Health insurance reserve	—	—	9,000	—	9,000
Other	—	5,181	212	13,036	18,429
Total restricted assets	<u>1,340</u>	<u>62,487</u>	<u>357,112</u>	<u>26,936</u>	<u>447,875</u>
Capital assets, less accumulated depreciation	<u>141,298</u>	<u>393,006</u>	<u>1,279,443</u>	<u>28,141</u>	<u>1,841,888</u>
Other assets	<u>11,322</u>	<u>3,739</u>	<u>6,398</u>	<u>485</u>	<u>21,944</u>
Total assets	<u>\$ 158,093</u>	<u>501,257</u>	<u>1,676,606</u>	<u>91,776</u>	<u>2,427,732</u>

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2004

(Amounts in thousands)

Liabilities and Net Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Current liabilities (payable from current assets):					
Accounts payable	\$ 4,071	3,630	20,760	1,901	30,362
Retainages payable	—	—	1,475	—	1,475
Other payables and accruals	10,452	2,262	33,499	3,171	49,384
Due to other governments	—	6	320	1,775	2,101
Capital lease payable	—	—	—	371	371
Deferred revenues	—	—	—	315	315
Total current liabilities (payable from current assets)	14,523	5,898	56,054	7,533	84,008
Current liabilities (payable from restricted assets):					
Retainages payable	—	—	4,425	—	4,425
Capital projects payable	215	1,306	—	—	1,521
Accounts payable	—	423	—	—	423
Accrued interest	128	1,458	2,441	7	4,034
Limited tax bonds	1,899	—	—	—	1,899
Bonds payable, current portion	—	10,590	148,718	585	159,893
Revenue bonds	986	—	—	—	986
Deposits and other	—	—	5,336	100	5,436
Total current liabilities (payable from restricted assets)	3,228	13,777	160,920	692	178,617
Total current liabilities	17,751	19,675	216,974	8,225	262,625
Long-term liabilities:					
Claims payable	—	—	8,660	—	8,660
Capital lease payable	—	—	—	881	881
Limited tax bonds (net of current portion)	38,813	—	—	—	38,813
Revenue bonds (net of current portion and unamortized discounts)	9,610	—	270,900	30,665	311,175
Refunding bonds (net of current portion and unamortized loss on advance refunding)	—	156,777	—	3,870	160,647
Other	1,096	—	—	68	1,164
Total long-term liabilities	49,519	156,777	279,560	35,484	521,340
Total liabilities	67,270	176,452	496,534	43,709	783,965
Net assets:					
Invested in capital assets – net of related debt	90,609	225,590	1,085,354	13,633	1,415,186
Restricted for bond debt service	—	13,873	28,818	3,511	46,202
Restricted for capital improvements	—	45,646	65,900	—	111,546
Unrestricted	214	39,696	—	30,923	70,833
Total net assets	\$ 90,823	324,805	1,180,072	48,067	1,643,767

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Activities

Component Units

Year ended December 31, 2004

in thousands)

	Program revenues		Net (expense) revenue and changes in net assets					Total
	Charges for services	Capital grants and contributions	Audubon Commission	Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units		
Component units:								
Audubon Commission	\$ 45,465	5,245	(10,980)	—	—	—	(10,980)	
Louis Armstrong New Orleans International Airport	85,962	2,905	—	(16,683)	—	—	(16,683)	
Sewerage and Water Board	154,834	22,125	—	—	(5,990)	—	(5,990)	
Other nonmajor component units	31,275	392	—	—	—	(15,891)	(15,891)	
Total component units	\$ 317,536	30,667	(10,980)	(16,683)	(5,990)	(15,891)	(49,544)	
General revenues:								
Interest revenue			1,277	843	1,352	1,226	4,698	
Property taxes			9,299	—	47,154	5,586	62,039	
Other			(108)	19,189	—	10,830	29,911	
Total general revenues			10,468	20,032	48,506	17,642	96,648	
Changes in net assets			(512)	3,349	42,516	1,751	47,104	
Net assets – beginning			91,335	321,456	1,137,556	46,316	1,596,663	
Net assets – ending			\$ 90,823	324,805	1,180,072	48,067	1,643,767	

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

(1) Summary of Significant Accounting Policies

The financial statements of the City of New Orleans, Louisiana (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The most significant accounting and reporting policies of the City are described in the following notes to financial statements.

The City was incorporated in 1805. The City's system of government was established by its Home Rule Charter which became effective in 1954 and was amended effective January 1, 1996. The City operates under a Mayor-Council form of government and provides the following types of services as authorized by its charter: public safety, health and human services, public works, water and sewerage, urban development and housing, economic development, culture and recreation, airport and general government services. Education and welfare are administered by other governmental entities.

Basis of Presentation – Financial Reporting Entity

The accompanying financial statements include financial statements for the City and certain legally separate organizations in accordance with GASB Statement No. 14, *The Financial Reporting Entity*. Organizations are included if the City is financially accountable for them, or the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City is financially accountable for an organization if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

Component Units

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units. Each blended and discretely presented component unit has a December 31 year-end. Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices. The *Municipal Yacht Harbor Management Corporation does not prepare complete financial statements.*

Blended Component Units

Blended component units, although legally separate entities, are in substance, part of the City's operations, as they provide services exclusively or almost exclusively for the City.

For financial reporting purposes, the Board of Liquidation, City Debt is included (blended) in the operations of the debt service fund and governmental activities of the City because it handles all matters relating to the bonded debt of the City.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

Discretely Presented Component Units

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City.

The following are the City's discretely presented component units:

<u>Major Discretely Presented Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
<i>Louis Armstrong New Orleans International Airport</i>	Local government corporation established in 1943 by the City to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City with approval of the City Council. The City of Kenner, Louisiana and the Parish of St. Charles, Louisiana each have input as to the selection of one board member. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>Sewerage and Water Board</i>	Local government corporation created by the City through Act 6 of the Louisiana Legislature of 1899 as a special board independent of the City's government to construct, maintain, and operate a water treatment and distribution system and a public sanitary sewerage system for the City. In accordance with Louisiana Revised Statutes (LRS) 33:4096 and 4121, the Board has the authority to establish the water and sewerage rates to charge to its customers. The Board is composed of thirteen members, including the Mayor of the City, the two Councilmembers-at-Large, and one District Councilmember selected by the City Council, two members of the Board of Liquidation and seven citizens appointed by the Mayor. The appointed members of the Board serve staggered nine-year terms. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>Audubon Commission</i>	Commission was created by the Louisiana Legislature to manage and operate the Audubon Commission's facilities consisting of nine museums and parks dedicated to celebrating the wonders of nature, with goals of fostering education, research, wildlife conservation, family entertainment, and positive economic impact. The Commission has a 24-member Board appointed by the Mayor. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

**Nonmajor Discretely Presented Component
Units**

**Brief Description of Activities, Relationship to City, and
Key Inclusion Criteria**

Downtown Development District

Local government corporation created by Act 498 of 1974 and amended and reenacted by Act 124 of 1977 of the State of Louisiana Legislature, effective January 1, 1975. The Organization is a special taxing district designated "the Core Area Development District of the City of New Orleans," later renamed the Downtown Development District of the City of New Orleans, comprised of all the territory within prescribed boundaries. The Board of Directors is composed of nine members for governance of the District. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

New Orleans Tourism Marketing Corporation

Local government corporation created by the City organized on January 1, 1990. Its objectives and purposes are to continuously stimulate the hospitality and tourism industry of the City of New Orleans through regional, national, and international advertising and marketing of the City of New Orleans as a tourist and convention site and a vacation destination; to stimulate economic development in the City of New Orleans through the marketing and solicitation of conventions and trade shows throughout the U.S. and the World; and to advance, promote, and maintain tourism and trade in the City of New Orleans through marketing activities directed at the discretionary tourist or traveler through advertising, direct mailing, or other means. A fifteen-member Board of Directors is appointed in various ways. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Municipal Yacht Harbor Management Corporation

Local corporation formed by the City to operate the Municipal Yacht Harbor in the manner comparable to that of a private business enterprise; to provide a safe and secure environment for recreational boating; to ensure that the cost associated providing services to the general public are financed or recovered through user fee and charge; and to place an emphasis on generating a sufficient amount of net operating revenues to be used for maintenance and capital improvement projects.

The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

French Market Corporation

Local government corporation formed January 1, 1972 by the City to provide for the operation and maintenance of the French Market Properties owned by the City of New Orleans.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

Nonmajor Discretely Presented Component Units	Brief Description of Activities, Relationship to City, and Key Inclusion Criteria
<i>Upper Pontalba Building Restoration Corporation</i>	<p>These properties include five buildings and the Farmers Market. The Corporation is a non-profit corporation that is owned by the City and administered by a board of directors consisting of twelve members appointed by the Mayor. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.</p> <p>Local government corporation organized on July 14, 1988 by the City for the purpose of renovating and operating the Upper Pontalba Building. The Organization is a non-profit corporation administered by a board of directors consisting of seven members that are appointed by the sole stockholder, the Mayor of New Orleans. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.</p>
<i>Canal Street Development Corporation</i>	<p>Nonprofit, public benefit corporation incorporated on August 8, 1989 under the Internal Revenue Code section 501(c)(3) for the sole and exclusive purpose of stimulating business development in the Central Business District and the adaptive reuse and development of Canal Street for commercial purposes. This objective is currently being met through renovations and the leasing of donated real estate and economic development endeavors downtown. The Organization's board of directors is comprised of two Councilmen from the City Council and other board members who are appointed by the Mayor of the City. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.</p>
<i>Orleans Parish Communication District</i>	<p>The Orleans Parish Communication District, comprised of Orleans Parish, was created effective July 13, 1982, pursuant to Act No. 155 of the 1982 Regular Session of the Louisiana Legislature.</p> <p>The District was created for the purpose of establishing a local emergency telephone service; to establish a primary emergency telephone number; to provide for the governing body of the District; and to authorize the governing authority of such district to levy an emergency telephone tax. This act was amended by Act No. 1029 in 1999 to provide for the creation of multi-parish communications districts; to provide information relative to the rate of the emergency telephone service charge on landline phones and to authorize the levy of an emergency telephone service charge on certain wireless communications systems.</p>

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

**Nonmajor Discretely Presented Component
Units**

**Brief Description of Activities, Relationship to City, and
Key Inclusion Criteria**

The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Related and Jointly Governed Organizations

Related organizations and jointly governed organizations provide services within the City that are administered by separate boards or commissions, for which the City is not financially accountable, and such organizations are, therefore, not reported as component units of the City even though the Mayor and/or City Council may appoint a voting majority of an organization's board.

Related Organizations

For the following organizations, the Mayor and/or City Council appoints a voting majority of the members of the respective boards.

- Community Improvement Agency
- Housing Authority of New Orleans
- Finance Authority of New Orleans
- Public Belt Railroad Commission
- New Orleans Affordable Home Ownership, Inc.
- Regional Transit Authority

Jointly Governed Organizations

The City is a participant in other jointly governed organizations. The Mayor and/or City Council appoints members of the boards for the following organizations. Such appointments represent less than a voting majority of the respective boards. There is no ongoing financial interest or ongoing financial responsibility for these entities.

- New Orleans Regional Loan Corporation
- New Orleans City Park Improvement Association
- New Orleans Exhibition Hall Authority
- Regional Planning Commission

Basis of Presentation—Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Activity for the City and its discretely presented component units are reported separately in the government-wide financial statements. The effect of interfund activity has been eliminated in these statements.

Governmental activities are supported in part by property taxes, sales taxes, franchise taxes, and grant revenues from the federal government and the State of Louisiana.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Comprehensive Annual Financial Report

December 31, 2004

The statement of activities reports the change in the City's net assets from January 1, 2004 to December 31, 2004. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

In addition to the government-wide financial statements, the City also reports financial statements for its governmental and fiduciary funds; these statements are classified as fund financial statements. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

Information in the governmental fund financial statements is reported on a major fund basis. The identification of major funds is determined by the City each year under the methods outlined in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - of State and Local Governments* as amended by GASB Statement No. 37. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the aggregate in the other governmental funds column.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds, as amended by GASB 37:

- (a) **General Fund** – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- (b) **HUD Grant Fund** – This special revenue fund accounts for the proceeds of loans received from the Department of Housing and Urban Development under Section 108 of the Housing and Community Development Act of 1974. The City acts as the guarantor of these loans.
- (c) **Federal UDAG** – This special revenue fund accounts for grants received from the Department of Housing and Urban Development for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City.
- (d) **Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds, limited tax bonds, and revenue bonds, including debt principal, interest, and related costs.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Comprehensive Annual Financial Report

December 31, 2004

- (e) **Capital Projects Fund** – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include the following:

- (a) **Pension Trust funds** – account for the accumulation of resources for pension benefit payments to qualified employees.
- (b) **Agency Funds** – are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting-Measurement Focus

Government-Wide Financial Statements (GWFS)

The statement of net assets and the statement of activities include all the financial activities of the City, except for the fiduciary funds, and its component units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Fund Financial Statements

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances are considered a measure of “available spendable resources.” Governmental fund statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period. Under the modified accrual basis of accounting, revenues are recorded when considered both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers amounts collected within sixty days after year-end, excluding grant moneys which is within one year after year-end, to be available and recognizes them as revenues of the current period. Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred. Expenditures related to principal and interest on long-term debt, claims, judgments, landfill post-closing costs, and compensated absences are recognized when matured (i.e., due and payable). The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; mixed beverage tax; franchise fees; fines and forfeits; investment earnings, and grants. Intergovernmental revenues from reimbursable grants and capital projects are recognized when all eligibility requirements have been met and amounts are considered available.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

Noncurrent portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheet of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

Licenses and permits, certain charges for services, fines and forfeitures, and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

Pension Trust Funds

Pension trust funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred. Agency funds use the accrual basis of accounting, but do not involve the measurement of operations.

Use of Restricted Assets

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value based on quoted market prices.

Accounts Receivable

Property tax receivables and grantee loan receivables are shown net of an allowance of uncollectible amounts of \$5.5 million and \$500,000, respectively. All trade receivables on the Sewerage and Water Board and the Airport are shown net of an allowance of uncollectible amounts of \$6.2 million and \$2.0 million, respectively.

Capital Assets

Capital assets (i.e., land, buildings, equipment, improvements other than buildings), which include the City's infrastructure, and construction in progress are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair value on the date donated. An item is classified as an asset if the initial, individual cost is \$5,000 or greater. Capital assets of the City are

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reported in the government-wide financial statements but not in the governmental fund financial statements. Assets subject to depreciation are depreciated using the straight-line method.

Additions and improvements that significantly extend the useful life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

The estimated useful lives (in years) of all depreciable assets are as follows:

Buildings and improvements	20-40
Equipment and vehicles	5-10
Infrastructure	25-50
Other	5-15

Fully depreciated capital assets are included in the capital asset accounts until their disposal. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement, and any resulting gain or loss is recorded in the financial statements.

Annual and Sick Leave

All full-time classified employees of the City hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 may accrue a maximum of 45 days of annual leave and an unlimited number of days of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick leave to additional days of service.

For governmental funds, annual and sick leave expenditures are recorded when due and payable. All vacation and sick leave is accrued when earned at the government-wide level.

Litigation

Claims and judgments are recognized in the governmental funds as expenditures when due and payable. Therefore, claims and judgments that are due and payable would be expected to be liquidated with expendable available financial resources. To the extent that claims and judgments mature prior to December 31, they are accrued at December 31, 2004. Other liabilities not expected to mature as of December 31, 2004 are reported as liabilities in the government-wide financial statements. Estimates of claims and judgment liabilities (both incurred and reported and incurred but not reported) are made through a case-by-case review of all claims and the application of historical experience to the outstanding claims.

Fund Balance

(a) Reserved

Indicates that portion of fund balance which has been legally segregated (e.g., by bond ordinance) for specific purposes and not available for appropriation.

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(b) Designated Fund Balance

Indicates that portion of fund balance for which the City management has placed limitations as to use.

(c) Undesignated Fund Balance

Indicates that portion of fund balance, which is available for appropriation in future periods.

(2) Deposits, Cash Equivalents and Investments

Deposits

The City is authorized by state statute to open depositories in only those banks with branch offices within the City's limits.

At December 31, 2004, the carrying amount of the City's deposits was \$91,331,000, and the bank balance was \$92,331,000.

The City's bank balance is categorized below (amounts in thousands) to give an indication of the level of custodial credit risk assumed by the City at year-end:

- Category 1 includes insured or collateralized cash with securities held by the City or by its agent in the City's name.
- Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name.

	Category			Carrying Amount
	1	2	3	
Primary government:				
Bank balance:				
Cash	\$ 92,331			92,331
	\$ 92,331	—	—	92,331

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Investments

Investments in certificates of deposit can be placed with Louisiana state banks or with national banks having their principal offices in the state. State statutes authorize the City to invest in U.S. bonds, treasury notes, the Louisiana Asset Management Pool (LAMP), and other federally-insured investments. The City also may invest in repurchase agreements secured by U.S. government obligations. Statutes authorize the pension funds to invest under the Prudent-Man Rule. The Prudent Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the system to act with care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the pension funds shall not invest more than sixty-five percent of the total portfolio in common stock.

The City's investments are categorized below (amounts in thousands) to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or by its trust department or agent but not in the City's name.

	Category			Carrying Amount
	1	2	3	
Primary government:				
U.S. Government securities and instrumentalities	\$ 207,459			207,459
Stocks	350,833			350,833
Bonds	96,353			96,353
Other	238,701			238,701
Total investments				893,346
Uncategorized:				
LAMP investments:				66,028
				\$ 959,374

LAMP represents those assets held in the Louisiana Asset Management Pool (LAMP), a local government investment pool which is not categorized because the investment is in a pooled fund and thereby not evidenced by securities that exist in physical or book entry form. LAMP is a nonprofit corporation organized under the laws of the State of Louisiana, formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S.

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government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

(3) Tax Revenues

At December 31, 2004, the total sales tax levied in the City is 9%, of which 4% is state sales tax, 1-1/2% is levied by the Orleans Parish School Board (the School Board), and 1% is dedicated for transportation and is levied by the Regional Transit Authority (RTA). The remaining 2-1/2% is used to fund the general operations of the City. The City administers and collects the entire 5% of local sales tax. The School Board's portion of the sales tax is accounted for in the Orleans Parish School Board sales tax clearing fund, and the RTA's portion of the sales tax is accounted for in the RTA sales tax clearing fund, both of which are agency funds.

The City levies a tax on real and personal property. Portions of these property taxes are dedicated for fire and police protection services and the public library system. Taxes on real and personal property are levied on January 1 of the assessment year based upon the assessed value as of the prior August 15. However, *before the tax can be levied, the tax rolls must be submitted to the State Tax Commission for approval.* Taxes are due and payable on January 1, the date on which an enforceable lien attaches on the property, and are delinquent on February 1.

The assessed value of property in the City of New Orleans for each year is determined by an elected Board of Assessors. It is then certified by the Louisiana Tax Commission as complying with the Louisiana Constitution of 1974. The City is permitted by the Louisiana statutes to levy taxes up to \$31.78 per \$1,000 of assessed valuation for general governmental services (including fire and police) other than the payment of principal and interest on long-term debt and other purposes specifically approved by the voters. It is permitted to levy taxes in unlimited amounts for the payment of principal and interest on general obligation bonds of the City.

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Property tax levies per \$1,000 of assessed valuation accounted for within the funds of the City (primary government only) for the year ended December 31, 2004 are as follows:

General:	
General governmental services	14.91
Dedicated for fire and police	6.40
Public library	4.32
Fire and police	10.47
Parkways and parks and recreation department	3.00
Street and traffic control device maintenance	1.90
Special revenue:	
Neighborhood housing improvement fund	1.25
New Orleans economic development fund	1.25
Debt service	28.40
	71.90
	71.90

Property taxes levied on January 1, 2004, collected during 2004, or expected to be collected within the first 60 days of 2005, are recognized as revenues in the statement of revenues, expenditures, and changes in fund balances—governmental funds. The entire estimated collectible amount of the tax levy for the fiscal year is recorded as revenue in the government-wide financial statements. Property taxes paid under protest are held in escrow until resolution of the dispute. Amounts collected for other governmental entities are accounted for in the agency funds.

(4) Grantee Loans

(a) UDAG

The City has received certain grant awards or loans from the United States Department of Housing and Urban Development (HUD) for the purposes of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Fourteen individual loans are outstanding at December 31, 2004 totaling \$13,863,000, which bear interest at rates ranging from 0.1% to 7%. These loans are receivable over a fifteen to thirty year period. Once loan repayments are received, and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities specified in the grant agreement. The City has recorded \$5,914,000 in allowance for bad debt on these loans.

One of the grantee loans receivable, in the original amount of \$6,980,000, relates to the development of the Riverfront Marketplace. In addition to the stated interest of 6.55% on this loan, the City participates in 30% of the net annual cash flows of the project. The City's participation interest is receivable 90 days after the project's year end. This brings the cumulative annual effective yield on the loan up to a maximum of 10%. The cumulative annual effective yield on the loan cannot be less than 8.0%. The City will also participate in 30% of the net proceeds of any sale, refinancing, or other disposition of the project, in whole or in part. The Riverfront Marketplace began operations in September 1986.

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(b) HUD Section 108

The City received a Section 108 loan from HUD to allow/provide loans to the private sector for economic development. At December 31, 2004, there were four outstanding loans which bear interest at rates of 2% to 7% and are receivable over fifteen to thirty years.

During 1998, the U.S. Department of Housing and Urban Development (HUD) agreed to loan to the City \$25,300,000 for the development of the Jazzland Theme Park. These funds were subsequently loaned to Jazzland, Inc. (Jazzland) and were due from Jazzland in bi-annual installments plus 7.87% interest. During 2001, Jazzland failed to remit to the City a required payment and was in default on its loan as of December 31, 2001. On February 28, 2002, Jazzland filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result, the City wrote off its remaining receivable from Jazzland. In 2002, Six Flags Theme Park, Inc. assumed management of Jazzland, and the theme park was renamed "Six Flags New Orleans." Six Flags has agreed to make monthly lease payments of \$116,667 to the Industrial Development Board, which in turn, transfers the money to the City. The lease expires in 2017. These monies are used by the City to repay the HUD loan. Annual debt service on the loan is \$2.4 million through 2017. Any amounts not recorded through rentals or other revenue sources are funded by the general fund.

During 2000, HUD agreed to loan to the City \$5,000,000 for the development of the old American Can Factory into apartments. The City subsequently loaned these funds and an additional \$1,500,000 (amount received by the City through Urban Development Action Grants) to Historic Restoration, Inc. (HRI). These funds are due from HRI in quarterly installments plus 2% interest. The final payment is due January 1, 2040 with principal payments commencing on April 1, 2003. The outstanding balances at December 31, 2004 are \$4.8 million on the HUD loan and \$1 million on the UDAG loan.

During 2002, HUD agreed to loan to the City \$5.0 million for the development of the Palace of the East. The City subsequently loaned these funds to the Palace of the East. The loan is due to be repaid in quarterly installments plus 6% interest. The final payment is due August 1, 2021 with principal payments commencing on July 15, 2004. The outstanding balance at December 31, 2004 is \$5.0 million. No payments have been received as of December 31, 2004. The City has recorded an allowance of \$500,000 against this loan.

During 2002, HUD agreed to loan to the City \$7.1 million for the development of the Louisiana Artists Guild, a Louisiana Nonprofit Corporation. The City subsequently loaned these funds to LA Artworks. The loan is due to be repaid in quarterly installments plus interest of 5.6183%. Principal payments commenced on October 15, 2003 and end on July 15, 2022. The outstanding balance at December 31, 2004 is \$7.0 million. No payments have been received as of December 31, 2004.

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(5) Capital Assets

A summary of changes in capital assets of governmental activities (amounts in thousands) is as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2004</u>
Nondepreciable capital assets:				
Land	\$ 88,105	15,267	—	103,372
Construction in progress	214,544	57,251	(34,958)	236,837
Total nondepreciable capital assets	<u>302,649</u>	<u>72,518</u>	<u>(34,958)</u>	<u>340,209</u>
Depreciable capital assets:				
Infrastructure	2,182,219	7,880	(30)	2,190,069
Buildings and improvements	199,226	26,639	(418)	225,447
Equipment and vehicles	71,618	2,831	(30,850)	43,599
Other	14,427	661	(22)	15,066
Total depreciable capital assets	<u>2,467,490</u>	<u>38,011</u>	<u>(31,320)</u>	<u>2,474,181</u>
Less accumulated depreciation for:				
Infrastructure	1,151,624	55,848	(30)	1,207,442
Buildings and improvements	102,631	6,797	(418)	109,010
Equipment and vehicles	44,152	6,261	(30,850)	19,563
Other	12,347	357	(22)	12,682
Total accumulated depreciation	<u>1,310,754</u>	<u>69,263</u>	<u>(31,320)</u>	<u>1,348,697</u>
Total depreciable capital assets, net	<u>1,156,736</u>	<u>(31,252)</u>	<u>—</u>	<u>1,125,484</u>
Total	<u>\$ 1,459,385</u>	<u>41,266</u>	<u>(34,958)</u>	<u>1,465,693</u>

Depreciation expense was charged to functions/programs of the primary government as follows (amounts in thousands):

General government	\$ 3,275
Public safety	2,128
Public works	63,523
Health and human services	61
Culture and recreation	244
Urban development and housing	32
Total depreciation expense	<u>\$ 69,263</u>

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Construction in progress is composed of the following, by department (amounts in thousands):

	<u>Project authorization</u>	<u>Expended to December 31, 2004</u>	<u>Committed</u>
Mayor (CAO)	\$ 73,512	37,743	35,769
Police	5,216	1,164	4,052
Fire	5,683	2,300	3,383
Property Management	24,136	11,621	12,515
Recreation	29,943	16,990	12,953
Human Services	4,745	2,690	2,055
Parks and Parkways	12,117	6,271	5,846
Utilities	820	512	308
Public Library	8,956	5,141	3,815
Isaac Delgado Museum	2,220	236	1,984
Sanitation Department	13,813	12,378	1,435
Safety and Permits	1,281	1,281	—
Mosquito Control Board	2,582	1,351	1,231
Health	3,355	1,492	1,863
City Planning Commission	4,871	4,822	49
Public works	362,853	130,845	232,008
	<u>\$ 556,103</u>	<u>236,837</u>	<u>319,266</u>

CITY OF NEW ORLEANS, LOUISIANA

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(6) Long-Term Debt

Bond Transactions

The following is a summary of bond transactions for the City for the year ended December 31, 2004 (amounts in thousands):

		<u>Bonds payable</u>
Bonds payable at January 1, 2004	\$	784,216
Bonds issued in 2004		44,500
Bonds retired		(25,309)
Current year accretion, net		<u>3,978</u>
Bonds payable at December 31, 2004	\$	<u><u>807,385</u></u>

The City's legal debt limit for general obligation bonds is \$875,306,000 (excluding the accretion effects of the deep discount bonds). At December 31, 2004, the City's legal debt margin (after the reduction for outstanding general obligation bonds and limited tax bonds totaling \$503,692,000 less \$33,062,000 available in Debt Service Funds) was \$404,676,000.

Included in bonds payable are The Firefighters' Pension and Relief Fund (Old System) bonds which were issued in 2000 to fund a portion of the projected unfunded accrued liability for the pension plan. The bonds are secured and payable solely from moneys that are available after payment of contractual and statutory obligations and other required expenses, including outstanding certificates of indebtedness. The bonds bear interest at a variable rate determined weekly based on the Bond Market Association Municipal Swap Index™ (BMA); however, the City entered into an interest rate swap agreement over the term of the bonds which resulted in a fixed rate of 6.95%. As of December 31, 2004, \$154,760,000 in outstanding bonds was recorded as a liability in the government-wide financial statements. The swap terminates in September 2030.

Objective of the interest rate swap. As a means of lowering its borrowing costs, when compared against fixed-rate bonds at the time of issuance in 2000, the City entered into an interest rate swap in connection with its \$170.6 million Taxable Pension Variable-Rate Revenue Bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 6.95%.

Terms. The bonds and the related swap agreement mature on September 1, 2030, and the swap's notional amount of \$171 million matches the \$171 million variable-rate bonds. The swap was entered at the same time the bonds were issued (November 2000). Starting in fiscal year 2001, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the City pays the counterparty, UBS, a fixed payment of 6.95% and receives a variable payment computed weekly based on the BMA swap index.

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Fair value. Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$44.7 million as of December 31, 2004. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of December 31, 2004, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AAA/aaa by Moody's Investors Service as of December 31, 2004.

Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City if the counterparty's credit quality rating falls below "A-" as issued by Moody's Investors Service. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. If at the time of termination the swap has a positive fair value the City would receive a cash payment.

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Bonds payable at December 31, 2004 are comprised of the following (all bonds are serial bonds) (dollars in thousands):

Description	Original issue	Range of average interest rates	Amount outstanding	Due in one year
General obligation bonds:				
1992-2004 Public Improvement Bonds, due in annual installments ranging from \$325 to \$5,325 through December 2031	\$ 318,100	5 - 7	\$ 191,885	4,695
1991 General Obligation Refunding Bonds, due in annual installments ranging from \$2,080 to \$28,585 commencing September 2004 through September 2021	98,886	7.07	90,142	9,964
1995 General Obligation Refunding Bonds, due in annual installments ranging from \$2,080 to \$25,490 through October 1, 2021	167,340	6.03	59,475	2,080
1998 General Obligation Refunding Bonds, due in annual installments ranging from \$210 to \$13,080 through December 2026	106,520	4.96	99,935	225
2002 General Obligation Refunding Bonds, due in annual installments ranging from \$300 to \$19,050 commencing September 1, 2015 through September 1, 2021	58,415	5.1 - 5.4	58,415	—
Limited tax bonds:				
1996 Limited Tax Bonds, due in annual installments of \$1,240 to \$1,970 commencing March 1997 through March 1, 2006	15,800	4.82	3,840	1,870
Revenue bonds:				
2000 Taxable Pension Revenue Bonds, due in annual installments from \$3,600 to \$7,000 commencing September 1, 2001 through September 1, 2030	170,660	6.95	154,760	4,700
2004 Variable Rate Revenue Bonds, due in annual installments from \$355 to \$865 commencing August 1, 2005 through August 1, 2024	11,500	Variable	11,500	355
Total bonds			669,952	23,889
Accreted bond discount at December 31, 2004			137,433	—
			<u>\$ 807,385</u>	<u>23,889</u>

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The payment requirements for all bonds outstanding, including requirements for interest at the variable rate as of December 31, 2004 and the impact on interest under the Swap agreement as of December 31, 2004 are as follows (amounts in thousands):

	<u>Swap</u>	<u>Interest</u>	<u>Accretion</u>	<u>Principal</u>
Year ending December 31:				
2005	\$ 8,831	33,048	15,481	23,889
2006	8,557	32,216	16,197	24,518
2007	8,265	31,351	16,870	22,645
2008	7,956	30,519	17,501	22,744
2009	7,629	29,657	18,903	22,917
2010 – 2014	32,755	133,227	97,338	119,632
2015 – 2019	23,000	104,157	84,598	154,526
2020 – 2024	13,229	53,482	—	168,309
2025 – 2029	4,827	20,315	—	84,035
2030 – 2033	162	2,916	—	26,737
	<u>\$ 115,211</u>	<u>470,888</u>	<u>266,888</u>	<u>669,952</u>

The City's debt service fund is the Board of Liquidation, City Debt (the Board of Liquidation), an autonomous, self-perpetuating board created under the Louisiana Constitution of 1974. All property taxes levied by the City and dedicated to the payment of outstanding general obligation bonds are collected by the City and, as required by law, paid over to the Board of Liquidation as collected.

The Board of Liquidation annually determines the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City, and all such bonds proposed to be issued by the City during such year. The annual determination of the necessary tax millage to service bonds of the City is adopted by resolution of the Board of Liquidation, which is submitted to the City Council. The millage recommended by the Board of Liquidation is then levied by the City Council. The millages for the various limited bonds of the City were established at the time the bonds were issued, based upon approval of the voters.

Administrative expenditures paid in connection with the operations of the Board of Liquidation are recorded in the City's debt service fund.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. At December 31, 2004, management believes it is in compliance with all such significant limitations and restrictions.

On June 1, 2004, the City of New Orleans issued \$33,000,000 in Public Improvement Bonds. The bonds were issued for the acquisition, construction, improvements, and renovation of public buildings and facilities. The bonds are payable in annual installments ranging from \$550,000 to \$2,115,000 at interest rates ranging from 4.00% to 5.5% through December 1, 2033.

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On September 29, 2004, the City issued \$11,500,000 in Variable Rate Revenue Bonds. The proceeds from the sale of the Bonds, were made available to the Canal Street Development Corporation to pay for Project costs and certain costs of issuance after the repayment of Canal Street Development corporation original bond debt. The bonds are payable in annual installments ranging from \$355,000 to \$865,000 at a variable interest rate, through August 1, 2024.

Advance Refundings

In 2004, the City issued \$40,415,000 of Certificates of Indebtedness of which \$12,760,000 was placed in an irrevocable trust for the purpose of generating resources for the partial defeasance of the Limited Tax Certificates of Indebtedness, 1998B. As a result the partially refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying value of the old debt by \$480,683. The advance refunding was undertaken to reduce total debt service payments over the next five years by \$729,017. The economic gain was insignificant.

In prior years, the City entered into advance refunding transactions whereby it issued General Obligation Refunding Bonds to effect early retirement of certain General Obligation Bonds. The net proceeds of these refunding bonds were placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds.

Accordingly, the escrow accounts and the refundable bonds are no longer included on the City's statement of net assets. The outstanding balance of the refunded bonds at December 31, 2004 is as follows (amounts in thousands):

1995 Public Improvement General Obligation Bonds	\$	21,340
1997A Public Improvement General Obligation Bonds		41,910
1998A Public Improvement General Obligation Bonds		6,505
1998B Limited Tax Certificates of Indebtedness		<u>12,760</u>
	\$	<u>82,515</u>

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Other Long-Term Liabilities – The following is a summary of other long-term liabilities recorded in the government-wide financial statements for the year ended December 31, 2004 (amounts in thousands):

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2004</u>	<u>Due in one year</u>
Claims and judgments (note 11)	\$ 256,342	195,954	(58,409)	393,887	60,000
Landfill closing costs (note 11)	10,527	—	(386)	10,141	253
Accrued annual and sick leave (note 1)	51,655	363	—	52,018	—
Payment due to the Audubon Commission (note 8)	1,224	—	(116)	1,108	122
Certificates of indebtedness - (including unamortized premium of \$1,458) (see below)	135,022	44,480	(29,410)	150,092	12,100
Net pension obligation	517	—	(26)	491	—
HUD Section 108 loan (see below)	39,490	—	(1,615)	37,875	1,718
	<u>\$ 494,777</u>	<u>240,797</u>	<u>(89,962)</u>	<u>645,612</u>	<u>74,193</u>

Funding for the above liabilities will come from the General Fund and from the entities that received and are repaying HUD loans.

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The net increase in long-term liabilities reported in the reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities include the following (amounts in thousands):

	For the year ended December 31, 2004
Claims and judgment	\$ 137,545
Annual sick leave payable	363
Other	<u>(2,189)</u>
	<u>\$ 135,719</u>

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of Housing and Urban Development (HUD) as guarantor. Portions of these funds were used to fund grantee loans referred to in note 4. The loans consist of notes bearing interest at either fixed interest rates ranging from 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 2004, \$37,875,000 is recorded as a liability in the government-wide financial statements.

The requirements to amortize the Section 108 loans are as follows (amounts in thousands):

	Interest	Principal
Year ending December 31:		
2005	\$ 2,310	1,718
2006	2,221	1,821
2007	2,123	1,931
2008	2,018	2,061
2009	1,902	2,182
2010 - 2014	7,403	13,116
2015 - 2019	2,846	12,581
2020 - 2022	280	2,465
	<u>\$ 21,103</u>	<u>37,875</u>

The City issued \$109,960,000 (\$41,045,000 outstanding at December 31, 2004) in certificates of indebtedness (Series 1998A through D) for the primary purpose of refunding the City's Series 1992 certificates of indebtedness, the City's debt obligation incurred in 1983, and additional debt incurred in 1993 under the merger agreement between the Municipal Police Employee's Retirement System and the City's board of trustees of the Police Pension Fund.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
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In December 2001, the City issued \$9,665,000 (\$3,335,000 outstanding at December 31, 2004) in revenue refunding bonds for the primary purpose to refund the 1998A and D certificates of indebtedness. These revenue refunding bonds mature on August 1 annually through 2005 and bear interest (ranging from 3% to 4.6%) that is payable on February 1 and August 1 semiannually.

On December 1, 2000, the City issued an additional \$27,000,000 (\$21,210,000 outstanding at December 31, 2004) in certificates of indebtedness. The primary purpose of this debt was to provide funds to the City to pay general settlements and judgments rendered against the City. The certificates bear interest ranging from 3.625% to 6%, payable semiannually.

In January 2002, the City issued 2001C certificates of indebtedness in the amount of \$5,155,000 (\$5,155,000 outstanding at December 31, 2004) for the primary purpose to pay general settlements and judgments rendered against the City. These certificates mature on August 1 annually, commencing in 2006, through 2011 and bear interest (ranging from 3.5% to 4.25%) that is payable on February 1 and August 1 semiannually.

During 2003, the City issued \$38,555,000 (\$34,968,000 outstanding at December 31, 2004) in certificates of indebtedness for the purpose of refinancing the payments of the City under an existing lease agreement financing the costs of acquisition of additional vehicles and paying the costs of issuance. These certificates mature on September 1 annually commencing March 1, 2003 through March 1, 2010 and bear interest (ranging from 2.0% to 5.0%) that is payable on March 1 and September 1 annually. The outstanding balance includes an unamortized premium of \$1,458,000.

During 2004, the City issued \$4,065,000 (\$4,065,000 outstanding at December 31, 2004) in Limited Tax Certificates of Indebtedness for the purpose of financing the costs of acquisition of additional vehicles and paying the costs of issuance. These certificates mature on March 1 annually commencing on March 1, 2004 through March 1, 2011 and bear interest (ranging from 2.0% and 3.5%) that is payable March 1 and September 1 annually.

During 2004, the City issued \$40,415,000 (\$40,415,000 outstanding at December 31, 2004) in Limited Tax Certificates of Indebtedness for the purpose of financing the partial defeasance of the 1998B Certificates, financing judgment claims against the City, and paying the costs of issuance. These certificates mature on March 1 annually commencing on March 1, 2004 through September 1, 2014 and bear interest (ranging from 3.15% and 4.75%) that is payable March 1 and September 1 annually.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Comprehensive Annual Financial Report

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The requirements to amortize the certificates of indebtedness are as follows (amounts in thousands):

	<u>Interest</u>	<u>Principal</u>
Year ending December 31:		
2005	\$ 6,101	12,100
2006	6,113	13,215
2007	5,510	14,690
2008	4,858	16,545
2009	4,132	17,905
2010 - 2014	<u>8,707</u>	<u>74,179</u>
	35,421	148,634
Unamortized premium	—	1,458
	<u>\$ 35,421</u>	<u>150,092</u>

(7) Pension Plans and Postretirement Healthcare Benefits

At December 31, 2004, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Firefighters' Pension and Relief Fund – Old System; (2) Firefighters' Pension and Relief Fund – New System; (3) Police Pension Plan (Police Plan); and (4) *Employees' Retirement System of the City of New Orleans (Employees' Plan)*. The Old System covers firefighters who were employed prior to December 31, 1967; the New System covers firefighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of the Municipal Police Employees' Retirement System (State of Louisiana) (MPERS). The Police Plan of the City will remain responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to the MPERS plan. MPERS is the only cost-sharing, multiple-employer retirement plan in which employees of the City participate. The Employees' Plan covers all City employees other than firefighters and police.

All four plans use the accrual basis of accounting for changes in net assets. Within this context, interest income is recognized when earned, as are employer and employee contributions, except in the case of the Police Plan, which recognizes employer contributions when due from the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

MPERS Plan Description

On March 6, 1983, an agreement was signed between the City, the Police Pension Funds of the City of New Orleans, and the Municipal Police Employees' Retirement System (MPERS) which provided for the merger of the Police Pension Plans with the MPERS. As of that date, all members of the Police Pension Plans, active and retired, became members of the MPERS. Those members covered by the system who did not meet the age and service requirements of the MPERS will be paid by the Police Pension Fund of the City until they reach age 50 or 55, depending on the length of active service.

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Employees become eligible for retirement under the MPERS plan at age 50, after being a member of the plan for one year and after 20 years of active continuous service. An employee who is age 55 becomes eligible for retirement benefits after 16 years of active continuous service. The plan also provides death and disability benefits. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana 70809, or by calling (800) 443-4248.

Funding Policy

The contribution rate for MPERS per dollar of payroll is 7.5% and 15% (increased from 9% at December 31, 2002) for the employee and employer, respectively, as established by State statute. The City's contributions to the MPERS for the years ended December 31, 2004, 2003, and 2002 were \$10,002,000, \$6,907,000, and \$4,700,000, respectively, equal to the required contributions for each year.

Employees' Plan, Police Plan, Firefighters' Pension and Relief Fund – Old and New System Descriptions

Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan.

Employees' Retirement System of the City of New Orleans
1340 Poydras Street, Suite 800
New Orleans, Louisiana 70112
(504) 299-4150

Police Pension Fund of the City of New Orleans
715 S. Broad, Room B23
New Orleans, Louisiana 70119
(504) 826-2900

Firefighters' Pension and Relief Fund of the
City of New Orleans (Old and New Systems)
329 S. Dorgenois Street
New Orleans, Louisiana 70119
(504) 821-4671

Funding Policies and Annual Pension Costs

The Employer Contributions for the Employees' Retirement System and the Firefighters' Pension and Relief Fund (New System) are based on actuarially determined amounts. The Employer Contribution for the Police Pension Fund is based on amounts necessary to cover administrative costs and payments of pensions and benefits, as certified by the board of trustees of the Fund. The Employer Contribution for the Firefighters' Pension and Relief Fund (Old System) is based on amounts necessary to pay current

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Notes to Comprehensive Annual Financial Report

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expenses, and, in effect, is being funded on a “pay-as-you-go” basis. In December 2000, the City issued \$170,660,000 of taxable pension revenue bonds to fund the projected unfunded accrued liability of the Firefighters’ Pension and Relief Fund (Old System). Debt service is to be paid from the general fund. Employees covered under the Employees’ Retirement System contribute 4% of their earnable compensation in excess of \$1,200 per year to the Employees’ Retirement System. Employees covered under the Firefighters’ Pension and Relief Fund of the City of New Orleans (Old and New Systems) contribute 6% of salary for the first 20 years of employment.

As a result of the merger contract with the MPERS to transfer all active policemen who were participating in the City’s Police Pension Fund to MPERS, there were no active participants in the plan and therefore the only contributions by employees to the plan related to retirees’ contributions for the purchase of military service credit. The City’s annual pension cost for the current year and related actuarial methods and assumptions for each plan is as follows:

	<u>Employees’ Retirement System</u>	<u>Police Pension Fund</u>	<u>Firefighters’ Pension and Relief Fund (Old System)</u>	<u>Firefighters’ Pension and Relief Fund (New System)</u>
Annual required contribution (thousands)	\$ 8,151	—	23,514	8,062
Annual pension cost (thousands)	8,151	—	27,118	8,028
Contributions made (thousands)	8,151	—	—	8,054
Actuarial valuation date	12/31/04	12/31/04	1/1/04	12/31/04
Actuarial cost method	Frozen Entry Age Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Aggregate Actuarial Cost Method
Amortization method	(a)	(b)	Specific number of years – level amount, closed	(c)
Remaining amortization period	(a)	(b)	11 years	(c)

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
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	Employees' Retirement System	Police Pension Fund	Firefighters' Pension and Relief Fund (Old System)	Firefighters' Pension and Relief Fund (New System)
Asset valuation method	Market value	Cost which approximates market	Market value	Three-year averaging
Actuarial assumptions:				
Investment rate of return	7.5%	7%	7.5%	7.5%
Projected salary increases	4.5%	N/A	5%	5%
Projected inflation rate	N/A	N/A	N/A	N/A

- (a) The amortization period, which ends December 31, 2004, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was “frozen” and is equal to the 12-year remaining amortization amount over the period January 1, 1992 through December 31, 2004.
- (b) The “Entry Age Normal” cost method was used to calculate the funding requirements of the Fund. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as a percentage of payroll for each participant between entry age and assumed retirement age.
- (c) The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Annual Pension Cost, Prepaid Pension Asset, and Net Pension Obligation – The City’s annual pension cost, prepaid pension asset (PPA), and net pension obligation (NPO) to Firefighters’ Pension and Relief Fund (Old System and New System) for the current year are as follows (in thousands):

	Firefighters' Pension and Relief Fund (New System)	Firefighters' Pension and Relief Fund (Old System)
Annual required contribution	\$ 8,062	23,514
Interest on PPA (NPO)	38	(4,102)
Adjustment to annual required contribution	(72)	7,706
Annual pension cost	<u>8,028</u>	<u>27,118</u>
Contributions made	8,054	—
Decrease in PPA (NPO)	26	27,118
PPA (NPO), beginning of year	(517)	54,687
PPA (NPO), end of year	<u>\$ (491)</u>	<u>27,569</u>

CITY OF NEW ORLEANS, LOUISIANA

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The prepaid pension asset and net pension obligation are \$27,569 and \$491, respectively, at December 31, 2004, and are recorded in the governmental activities of the government-wide statement of net assets.

Three-Year Trend Information (Amounts in Thousands)

	<u>Year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation (pre-paid pension asset)</u>
Employee's Retirement System	12/31/04	\$ 8,151	100%	\$ —
	12/31/03	6,648	100%	—
	12/31/02	6,665	100%	—
Police Pension Fund	12/31/03	174	100%	—
	12/31/02	201	100%	—
	12/31/01	365	100%	—
Firefighters' Pension and Relief Fund (Old System)	12/31/04	27,118	—	(27,569)
	12/31/03	26,232	—	(54,687)
	12/31/02	26,184	—	(80,919)
Firefighters' Pension and Relief Fund (New System)	12/31/04	8,028	100%	491
	12/31/03	4,786	109%	517
	12/31/02	3,922	102%	908

**Required Supplementary Information Schedule of Funding Progress
(Amounts in Thousands) (Unaudited)**

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Excess of assets over AAL (a-b)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>Excess as a percentage of covered payroll ((a-b)/c)</u>
Employees' Retirement System						
12/31/02	\$ 376,844	343,572	33,272	109.68%	\$ 78,048	42.63%
12/31/03	402,504	386,747	15,757	104.07%	87,713	17.96%
12/31/04	412,487	418,857	(6,370)	98.48%	92,665	(6.87)%

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
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Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Excess of assets over (under) AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Excess as a percentage of covered payroll ((a-b)/c)
Police Pension Fund						
12/31/02	\$ 3,352	108	3,244	3,104%	—	N/A
12/31/03	3,394	152	3,242	2,233%	—	N/A
12/31/04	1,629	1,607	22	101%	—	N/A
Firefighters' Pension and Relief Fund (Old System)						
12/31/02	\$ 108,773	171,163	(62,390)	64%	—	N/A
12/31/03	109,960	163,330	(53,370)	67%	—	N/A
12/31/04	101,783	153,884	(52,101)	66%	—	N/A

Firefighters' Pension and Relief Fund (New System)

A schedule of funding progress is not required when the aggregate actuarial cost method is used in determining funding requirements because this method does not separately identify an actuarial accrued liability.

Postretirement Healthcare Benefits

In addition to providing pension benefits, the City provides postretirement healthcare benefits, as per City ordinance, for certain retired employees. City employees who have completed 10 years of service and who are eligible to receive pension benefits at the time they terminate employment with the City are eligible to participate in the City's healthcare plan as retirees. The cost of retirement hospitalization benefits is recognized as an expense/expenditure on a pay-as-you-go basis. For 2004, the cost of providing those benefits for approximately 3,036 retirees was approximately \$14,937,000 of which \$11,097,000 and \$3,840,000 was provided by the City and retirees, respectively.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

(8) Individual Fund Disclosures

Interfund Receivables and Payables

Individual fund interfund receivables and payables at December 31, 2004 were as follows (amounts in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 10
	HUD Grant Fund	5,006
	Agency Trust Fund	16,337
	Nonmajor Special Revenue Funds	5,326
Nonmajor Special Revenue Funds	General Fund	351
	Nonmajor Special Revenue Funds	380
Agency Trust Fund	General Fund	1,843
	Nonmajor Special Revenue Funds	1,809
	Agency Trust Fund	932
		<u>\$ 31,994</u>

Interfund balances resulted from the time lag between the dates (1) when interfund services are provided or reimbursable expenditures occur and (2) payments between funds are made.

Interfund Advances

Individual fund interfund advances at December 31, 2004 were as follows (amounts in thousands):

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General	\$ 252	—
Nonmajor Special revenue:		
Sidewalk Paving and Repairing	—	2
Department of Safety and Permits – Demolition	—	250
Total nonmajor special revenue	—	252
	<u>\$ 252</u>	<u>252</u>

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

Fund Transfers

Individual fund transfers for the year ended December 31, 2004 were as follows (amounts in thousands):

	Transfers in	Transfers out
General	\$ 15,472	(2,269)
Nonmajor governmental funds	2,269	(29,471)
Debt service	—	(33,001)
Capital projects	47,000	—
Total	\$ 64,741	(64,741)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use *unrestricted revenues collected in the general fund* to finance various programs accounted for in other funds.

Amounts transferred to the General Fund from the Rivergate Development Corporation Fund represent net rents and other cost reimbursements received related to the land based-casino.

Charges to Component Units for Support Services

Charges for support services paid to the general fund during fiscal year 2004 by the Louis Armstrong New Orleans International Airport amounted to \$1,246,193 primarily for overhead reimbursement and fire protection. Interfund charges for support services paid to the general fund during fiscal year 2004 by the Orleans Parish Communication District amounted to \$960,000 for overhead reimbursement.

The City does not charge the Downtown Development District, French Market Corporation, the Municipal Yacht Harbor Management Corporation, the Upper Pontalba Building Restoration Corporation, or Canal Street Development Corporation for any support services provided to them. In addition, the City does not charge rent to the Audubon Commission for the land which is owned by the City on which the golf course operates.

Riverfront Economic Development Agreement

On April 30, 1992, the City, the Board of Commissioners of the Port of New Orleans, and Audubon Commission entered into an agreement titled "Riverfront Economic Development Agreement" (the Agreement). In accordance with the terms of the Agreement, Audubon Commission paid \$13,000,000 to the Board of Commissioners of the Port of New Orleans. Of this amount, \$11,000,000 was from the sale of Audubon Commission's Aquarium Revenue Bonds, Series 1992A, and \$2,000,000 was from self-generated funds of Audubon Commission.

In consideration for the \$11,000,000 payment, Audubon Commission is relieved of all rents or fees due to occupancy pursuant to a Consent and Right of Use Agreement with the Board of Commissioners of the Port of New Orleans. This Consent and Right of Use Agreement, dated October 23, 1987, provided for the

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

development and occupancy of an aquarium and related facilities by the Commission in consideration for stipulated payments of rents and fees over the 99-year term of the Agreement. The \$11,000,000 payment was recorded as prepaid rent and is being amortized over the remaining terms of the consent agreement. Such amount is included in other assets of the Audubon Commission at December 31, 2004.

In consideration for the Audubon Commission's \$2,000,000 payment to the Board of Commissioners of the Port of New Orleans, the City, which became the sole owner of the Rivergate Facility (the site of the City's land-based casino) under the Agreement, agreed to transfer and assign the second \$200,000 of annual net income from the parking facilities at the Rivergate Facility to Audubon Commission for 20 years beginning with the 1992 calendar year. The balance due to the Audubon Commission of \$1,109,000 at December 31, 2004, is recorded in the government-wide financial statements. Because parking operations have been discontinued at the Rivergate Facility, the Agreement gives the City the option to make a lump-sum payment to Audubon Commission for the remaining payment discounted at 7%, or to continue to pay the \$200,000 in monthly installments of \$16,667. The City has elected to continue making the \$200,000 annual payments. The Audubon Commission's \$2,000,000 payment (\$1,108,000 of which is outstanding) is included in other assets of the Audubon Commission at December 31, 2004. As payments are received from the City of New Orleans, this account is being reduced for that portion of the payment representing return of principal, with the balance credited to interest income.

(9) Fund Balance Reserves

Certain fund balance amounts in the following funds have been reserved to indicate a restriction for a particular purpose or amounts that are not available for appropriation. Details of the components of reserved fund balance at December 31, 2004 are as follows (amounts in thousands):

	Governmental funds					Total
	General	UDAG Fund	Debt service	Capital projects	Other governmental	
Encumbrances	\$ 3,934	—	—	50,725	4,543	59,202
Long-term advances	3,173	—	—	—	—	3,173
Debt service	—	—	33,062	—	—	33,062
Community development	—	22,941	—	—	—	22,941
Judgments	19,706	—	—	—	—	19,706
Total	\$ 26,813	22,941	33,062	50,725	4,543	138,084

(10) Interest Income

Interest earned on investments held by the City's capital projects fund, certain special revenue funds (Sidewalk Paving and Repairing, Traffic Court Judicial Expense, Department of Safety and Permits—Demolition, Vieux Carre' Commission, and Municipal Court Judicial Expense) and certain agency funds (Clearing and Deposit) is recorded as revenue of the general fund. The amount of interest revenue recorded by the general fund on investments of the capital projects fund for the year ended December 31, 2004 was approximately \$1,320,000.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

(11) Commitments and Contingencies

Operating Lease Agreements

The City has commitments under several operating lease agreements for equipment and facilities. These lease agreements are primarily for copier and data processing equipment and for land and buildings. They are cancelable by the City at any time. However, City management believes that such leases will generally be renewed or replaced each year. Annual rent in 2004 for such operating lease agreements was \$3,799,000.

Claims and Judgments

The City is a defendant in a number of claims and lawsuits alleging, among other things, personal injury, police brutality, wrongful death, over-collection of property taxes, and improperly designed drainage systems.

Self-Insurance

The City is self-insured for its motor vehicle fleet, general liability, police department excessive force, workers' compensation, hospitalization, and unemployment losses and claims.

The City's claims are financed on a "pay-as-you-go" basis for its motor vehicle fleet, general liability, and police department excessive force losses. Premiums are charged by the general fund to the City's various funds for the unemployment and worker's compensation self-insurance programs and to employees and the City's various funds for the hospitalization self-insurance program. Paid claims in excess of such premiums, if any, are funded by the general fund.

As of December 31, 2004, the City has determined, through an analysis of historical experience, the adequacy of the liability necessary to cover all losses and claims, both incurred and reported and incurred but not reported (IBNR), under its self-insurance programs. The liabilities of \$1,120,000 for motor vehicle fleet, \$328,248,000 for general liability and police department excessive force, \$59,333,000 for workers' compensation, and \$5,186,000 for hospitalization and unemployment have been accrued in the government-wide financial statements in the total amount of \$393,887,000.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Comprehensive Annual Financial Report
December 31, 2004

Changes to the City's claims liability amounts in fiscal 2004 and 2003 are as follows (amounts in thousands):

	<u>Beginning of fiscal year liability</u>	<u>Claims and changes in estimates</u>	<u>Benefit payments and claims</u>	<u>Balance at fiscal year-end</u>
General liability and police liability:				
2003	65,835	134,434	1,005	199,264
2004	199,264	129,731	747	328,248
Workers' compensation:				
2003	66,114	(1,865)	12,994	51,255
2004	51,255	20,216	12,138	59,333
Motor vehicle fleet:				
2003	1,538	(560)	496	482
2004	482	1,337	699	1,120
Hospitalization and unemployment:				
2003	10,054	37,824	42,537	5,341
2004	5,341	44,670	44,825	5,186
Total:				
2003	143,541	169,833	57,032	256,342
2004	256,342	195,954	58,409	393,887

Federal Financial Assistance Questioned Costs

The City receives federal financial assistance directly from federal agencies or passed through from other government agencies. Audits of the City's federal award programs periodically disclosed certain items or transactions as questioned costs. The ultimate resolution or determination as to whether the costs will be disallowed under the affected grants will be made by the various funding sources and cannot be determined at this time.

Landfill Closing Costs

The City owns two closed landfill sites located in the eastern portion of the City (Recovery I and Gentilly). State and federal laws require the City to cap the landfill and to monitor and maintain the site for thirty subsequent years. The Gentilly site was closed in 1995. The Recovery 1 site was closed in June 2003 upon obtainment of the Closure Certificate from the Department of Environmental Quality.

Through the time of closure, in the government-wide financial statements, the City recognized a portion of the closure and postclosure care costs in each operating period although actual payouts will not occur until these landfills are capped and closed, respectively. The amount recognized each year to date was based on the landfills' capacities used as of the balance sheet date. As of December 31, 2004, the City has estimated its liability at \$10,141,000.

CITY OF NEW ORLEANS, LOUISIANA
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December 31, 2004

These amounts are based on what it would cost to perform all closure and postclosure care in 2004. Actual cost may be higher due to inflation, changes in technology, or changes in regulations, and may need to be covered by charges from future tax revenue. Current funding of these costs comes from the general fund.

Arbitrage

The City has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service which impose restrictions on the use of proceeds from tax-exempt bonds. If certain of these restrictions are not complied with, the bonds could lose their tax-exempt status retroactive to the date of original issuance and also result in the City being subject to arbitrage rebates. The City believes it is in compliance with the arbitrage regulations with respect to all of its tax-exempt bond issues.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NEW ORLEANS, LOUISIANA

Required Supplementary Information

December 31, 2004

Required Supplementary Information includes budgetary comparisons for the General Fund.

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

Year ended December 31, 2004

(Amounts in thousands)

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
Revenues:				
Taxes	\$ 254,515	262,357	262,619	262
Licenses and permits	65,912	65,913	64,190	(1,723)
Intergovernmental	12,315	12,830	14,959	2,129
Charges for services	56,588	56,608	52,378	(4,230)
Fines and forfeits	17,068	17,257	17,802	545
Interest income	4,700	5,045	3,452	(1,593)
Contributions, gifts, and donations	2,598	3,466	12,857	9,391
Miscellaneous	15,115	21,086	16,258	(4,828)
Total revenues	<u>428,811</u>	<u>444,562</u>	<u>444,515</u>	<u>(47)</u>
Expenditures:				
Current:				
General government	144,623	159,953	149,477	10,476
Public safety	171,622	171,739	179,892	(8,153)
Public works	62,191	62,191	64,903	(2,712)
Health and human services	12,638	12,754	13,762	(1,008)
Culture and recreation	15,448	23,392	22,782	610
Urban development and housing	—	—	—	—
Debt service:				
Principal retirement	21,838	17,803	17,803	—
Interest and fiscal charges	20,260	16,517	16,517	—
Other, net	—	—	—	—
Total expenditures	<u>448,620</u>	<u>464,349</u>	<u>465,136</u>	<u>(787)</u>
(Deficiency) excess of revenues over expenditures	<u>(19,809)</u>	<u>(19,787)</u>	<u>(20,621)</u>	<u>(834)</u>
Other financing sources (uses):				
Operating transfers in	19,809	14,529	14,399	(130)
Transfer in from component unit	—	—	—	—
Proceeds from bond issuance	—	—	19,706	19,706
Operating transfers out	—	(1,981)	(2,269)	(288)
Appropriations from prior year budgetary fund balance	—	7,350	10,431	3,081
Reduction in prior year's outstanding encumbrances	—	—	1,480	1,480
Other	—	—	1,992	1,992
Total other financing sources (uses)	<u>19,809</u>	<u>19,898</u>	<u>45,739</u>	<u>25,841</u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>111</u>	<u>25,118</u>	<u>25,007</u>
Fund balances, beginning of year			11,482	
Less appropriation from beginning of year fund balance			<u>—</u>	
Fund balances – budgetary basis, end of year			<u>\$ 36,600</u>	

See accompanying independent auditors' report.

CITY OF NEW ORLEANS, LOUISIANA

Budget to GAAP Reconciliation

(Unaudited)

The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual presents comparisons of the legally adopted original budget and final budget (non-GAAP basis) with actual data on a budgetary basis. In the general fund, accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with GAAP. A reconciliation of this basis and timing differences is presented below (amounts in thousands):

Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 25,118
Adjustments:	
To adjust revenues for accruals and deferrals	2,187
To adjust expenditures for accruals	(2,136)
Other	<u>(13,873)</u>
Net change in fund balance	<u>\$ 11,296</u>

See accompanying independent auditors' report.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Required Supplementary Information
December 31, 2004

(1) Budgetary Data

The procedures used by the City in establishing the general fund budgetary data are as follows:

- Not later than November 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted, after proper official public notification, to obtain taxpayer comments.
- Not later than December 1, the budget is legally enacted through passage of an ordinance.
- The City's budget ordinance is structured such that revenues are budgeted by source, and expenditures are budgeted by department and by principal object classification within a department. The City's Charter provides that expenditures may not legally exceed appropriations either at a departmental level or at the principal object classification within a department.

The Mayor's office is allowed to authorize the transfer of budgeted amounts from one budget activity to another within a principal object classification within the same department. Budgetary transfers between principal object classifications of the same department or between departments must be approved by the City Council. Throughout the year, several amendments to the budget were made by the City Council. There were no supplemental appropriations necessary during the current year.

- The City utilizes formal budgetary integration as a management control device during the year for the general and capital projects funds. Formal budgetary integration is not employed for the debt service and special revenue funds because effective budgetary control is alternatively achieved through other provisions.
- Unencumbered appropriations lapse at year-end. Current year transactions which are directly related to a prior year's budget are not rebudgeted in the current year.

**COMBINING STATEMENTS
AND CAPITAL ASSET SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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CITY OF NEW ORLEANS, LOUISIANA

Combining Financial Statements

Nonmajor Governmental Funds

December 31, 2004

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Significant special revenue funds are as follows:

- *New Orleans Economic Development* – Used to account for funds allocated to programs designed to alleviate economic development problems, improve quality of life, and provide jobs for the citizens of New Orleans.
- *Neighborhood Housing Improvement* – Used to account for funds allocated to programs which repair and renovate housing in low-income areas.
- *Environmental Improvement* – Used to account for funds received from fines, fees, costs, and penalties and allocated to programs designed to improve health, housing, and environmental conditions in the City.
- *Rivergate Special Fund* – Used to account for funds received from the Rivergate parking facilities which have been earmarked for payment to the Audubon Commission as per the “Riverfront Economic Development Agreement.”
- *Rivergate Development Corporation* – Used to account for and oversee the development of any additions to the land-based casino site and the surrounding properties.
- *Traffic Court Judicial Expense* – Used to account for monies collected from contempt fines and penalties paid by persons charged with traffic violations and allocated to the proper administration of the court or offices of the individual judges.
- *Municipal Court Judicial Expense* – Used to account for monies collected from bond forfeitures in connection with the administration of the Municipal Court or in other manners provided by law.
- *Department of Safety and Permits – Demolition* – Used to account for funds allocated to the demolition of buildings or structures.
- *Music and Entertainment Commission* – Used to account for funds allocated for programs designed to attract music and entertainment to the City.
- *Asset Seizure* – Used to account for property confiscated from drug dealers by the police department to be used for crime fighting measures.
- *Plant a Tree Campaign* – Used to account for funds allocated to programs designed for planting and beautifying trees, plants, and flowers throughout the City.
- *Municipal Endowment – Cox Cable* – Used to account for funds allocated for programs related to video or audio community service programming in New Orleans or the arts, humanities, and culture of New Orleans.
- *Capital Improvement and Infrastructure* – Used to account for funds allocated for the improvement of infrastructures within the City.
- *Grant Recipient Funds* – Used to account for grants and other state and federal financial assistance.

CITY OF NEW ORLEANS , LOUISIANA

Combining Financial Statements

Nonmajor Governmental Funds

December 31, 2004

- *Housing and Environment Improvement* – Used to improve health, housing and environmental conditions in the City.
- *Imagine It Clean* – established to receive allocations to support the programs and activities of the program.
- *Other* – Used to account for all monies and all property acquired by donation for a designated purpose, not required to be held intact.

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CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2004

(Amounts in thousands)

Assets	<u>National League of Cities</u>	<u>New Orleans Economic Development</u>	<u>Neighborhood Housing Development</u>	<u>Environmental Improvement</u>	<u>American Can</u>
Cash	\$ 6	862	1,473	263	958
Investments	—	6,911	2,786	1,181	—
Accounts receivable (net, where applicable, of allowances for uncollectibles)	—	—	22	87	—
Grantee loans receivable	—	—	—	—	4,802
Due from other funds	—	—	24	37	—
Due from other governments	—	—	—	35	—
Other assets	—	—	—	—	—
Total assets	\$ 6	7,773	4,305	1,603	5,760
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1	814	639	34	—
Due to other funds	—	714	695	20	—
Due to other governments	—	—	—	—	—
Advances from other funds	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Total liabilities	1	1,528	1,334	54	—
Fund balances:					
Reserved for encumbrances	—	989	2,963	175	—
Unreserved:					
Designated for subsequent years' expenditures	—	104	—	—	—
Undesignated	5	5,152	8	1,374	5,760
Total fund balances	5	6,245	2,971	1,549	5,760
Total liabilities and fund balances	\$ 6	7,773	4,305	1,603	5,760

Exhibit C-1

Rivergate Special Fund	Rivergate Development Corporation	Termite Control Fund	Piazza D'italia Development	Traffic Court Judicial Expense	Sex Offender Proprietary Fund
30	1,242	78	8	595	30
651	367	135	15	420	—
—	—	—	—	—	—
—	147	14	—	76	—
—	138	12	—	71	—
—	—	—	—	—	—
<u>681</u>	<u>1,894</u>	<u>239</u>	<u>23</u>	<u>1,162</u>	<u>30</u>
—	1,015	—	—	364	—
681	200	—	—	399	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>681</u>	<u>1,215</u>	<u>—</u>	<u>—</u>	<u>763</u>	<u>—</u>
—	200	10	—	4	—
—	—	—	—	—	—
—	479	229	23	395	30
—	679	239	23	399	30
<u>681</u>	<u>1,894</u>	<u>239</u>	<u>23</u>	<u>1,162</u>	<u>30</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2004
 (Amounts in thousands)

Assets	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Special Event	Adopt-a- Pothole Program	Department of Safety and Permits — Demolition
Cash	\$ —	1	1	87	26
Investments	—	1	1	—	21
Accounts receivable (net, where applicable, of allowances for uncollectibles)	—	—	—	—	281
Grantee loans receivable	—	—	—	—	—
Due from other funds	288	—	—	—	—
Due from other governments	158	—	—	—	—
Other assets	—	—	—	—	—
Total assets	\$ 446	2	2	87	328
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 88	—	—	—	—
Due to other funds	306	—	—	—	—
Due to other governments	52	—	—	—	—
Advances from other funds	—	2	—	—	250
Deferred revenue	—	—	—	—	—
Total liabilities	446	2	—	—	250
Fund balances:					
Reserved for encumbrances	—	—	—	85	2
Unreserved:					
Designated for subsequent years' expenditures	—	—	—	—	—
Undesignated	—	—	2	2	76
Total fund balances	—	—	2	87	78
Total liabilities and fund balances	\$ 446	2	2	87	328

Exhibit C-1

Mayor's Office of Tourism and Arts	Mayoral Fellows Program	Music and Entertainment Commission	New Orleans Police Department Crime Prevention	Asset Seizure	New Orleans War on Drugs
80	66	47	1	44	8
—	—	50	—	260	—
—	—	—	—	45	—
—	—	—	—	—	—
—	1	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>80</u>	<u>67</u>	<u>97</u>	<u>1</u>	<u>349</u>	<u>8</u>
20	7	9	—	29	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>20</u>	<u>7</u>	<u>9</u>	<u>—</u>	<u>29</u>	<u>—</u>
—	—	—	—	—	—
—	—	—	—	—	—
<u>60</u>	<u>60</u>	<u>88</u>	<u>1</u>	<u>320</u>	<u>8</u>
<u>60</u>	<u>60</u>	<u>88</u>	<u>1</u>	<u>320</u>	<u>8</u>
<u>80</u>	<u>67</u>	<u>97</u>	<u>1</u>	<u>349</u>	<u>8</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2004

(Amounts in thousands)

Assets	New Orleans Recreation Department	New Orleans Film Commission	New Orleans Special Events	Vieux Carre' Commission	Vieux Carre' Restoration
Cash	\$ 50	28	20	56	1
Investments	—	48	61	—	—
Accounts receivable (net, where applicable, of allowances for uncollectibles)	—	—	—	—	—
Grantee loans receivable	—	—	—	—	—
Due from other funds	—	—	—	—	—
Due from other governments	—	—	—	—	—
Other assets	—	—	—	—	—
Total assets	<u>\$ 50</u>	<u>76</u>	<u>81</u>	<u>56</u>	<u>1</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	—	—
Due to other funds	—	—	—	—	—
Due to other governments	—	—	—	—	—
Advances from other funds	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:					
Reserved for encumbrances	—	—	6	—	—
Unreserved:					
Designated for subsequent years' expenditures	—	—	—	—	—
Undesignated	<u>50</u>	<u>76</u>	<u>75</u>	<u>56</u>	<u>1</u>
Total fund balances	<u>50</u>	<u>76</u>	<u>81</u>	<u>56</u>	<u>1</u>
Total liabilities and fund balances	<u>\$ 50</u>	<u>76</u>	<u>81</u>	<u>56</u>	<u>1</u>

Exhibit C-1

Public Library Donations	Sanitation Recycling	Plant- a-Tree Campaign	Municipal Endowment- Cox Cable	Capital Improvement and Infrastructure	Grant Recipient Funds
242	20	147	8	52	1,884
43	42	—	1,954	3,016	1,051
—	—	—	—	—	—
—	—	—	23	—	89
—	—	—	—	—	9,718
—	—	—	—	—	—
<u>285</u>	<u>62</u>	<u>147</u>	<u>1,985</u>	<u>3,068</u>	<u>12,742</u>
6	—	23	—	—	7,268
1	—	—	—	1,035	3,464
—	—	—	—	—	257
—	—	—	—	—	—
—	—	—	—	—	—
<u>7</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>1,035</u>	<u>10,989</u>
—	—	18	91	—	—
—	—	—	—	—	—
<u>278</u>	<u>62</u>	<u>106</u>	<u>1,894</u>	<u>2,033</u>	<u>1,753</u>
<u>278</u>	<u>62</u>	<u>124</u>	<u>1,985</u>	<u>2,033</u>	<u>1,753</u>
<u>285</u>	<u>62</u>	<u>147</u>	<u>1,985</u>	<u>3,068</u>	<u>12,742</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2004

(Amounts in thousands)

Assets	Delgado- Albania Plantation Commission	Edward Wisner	LaHache Music	Place DeFrance — Joan of Arc
Cash	\$ 228	154	3	4
Investments	1,605	4,044	—	—
Accounts receivable (net, where applicable, of allowances for uncollectibles)	—	—	—	—
Grantee loans receivable	—	—	—	—
Due from other funds	32	—	—	—
Due from other governments	31	—	—	—
Other assets	12	—	—	—
Total assets	<u>\$ 1,908</u>	<u>4,198</u>	<u>3</u>	<u>4</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	10	—	—
Due to other funds	—	—	—	—
Due to other governments	—	—	—	—
Advances from other funds	—	—	—	—
Deferred revenue	—	—	—	—
Total liabilities	<u>—</u>	<u>10</u>	<u>—</u>	<u>—</u>
Fund balances:				
Reserved for encumbrances	—	—	—	—
Unreserved:				
Designated for subsequent years' expenditures	—	—	—	—
Undesignated	1,908	4,188	3	4
Total fund balances	<u>1,908</u>	<u>4,188</u>	<u>3</u>	<u>4</u>
Total liabilities and fund balances	<u>\$ 1,908</u>	<u>4,198</u>	<u>3</u>	<u>4</u>

Exhibit C-1

Simon Hersheim	Kiwanis Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Isaac Delgado Memorial	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lilly Violet
32	5	2	24	—	11
52	—	5	435	—	7
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>84</u>	<u>5</u>	<u>7</u>	<u>459</u>	<u>—</u>	<u>18</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>84</u>	<u>5</u>	<u>7</u>	<u>459</u>	<u>—</u>	<u>18</u>
<u>84</u>	<u>5</u>	<u>7</u>	<u>459</u>	<u>—</u>	<u>18</u>
<u>84</u>	<u>5</u>	<u>7</u>	<u>459</u>	<u>—</u>	<u>18</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2004

(Amounts in thousands)

Assets	Mahalia Zimmerman Tomb	Mrs. Otto Joachim	Sickles Legacy	Helen Adler Levy Library	Housing and Environment Improvement
Cash	\$ 3	1	1	1	6
Investments	—	—	259	40	—
Accounts receivable (net, where applicable, of allowances for uncollectibles)	—	—	—	8	4
Grantee loans receivable	—	—	—	—	—
Due from other funds	—	—	—	—	—
Due from other governments	—	—	—	—	—
Other assets	—	—	—	—	—
Total assets	\$ 3	1	260	49	10
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	4	—
Due to other funds	—	—	—	—	—
Due to other governments	—	—	—	—	—
Advances from other funds	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Total liabilities	—	—	—	4	—
Fund balances:					
Reserved for encumbrances	—	—	—	—	—
Unreserved:					
Designated for subsequent years' expenditures	—	—	—	—	—
Undesignated	3	1	260	45	10
Total fund balances	3	1	260	45	10
Total liabilities and fund balances	\$ 3	1	260	49	10

Exhibit C-1

Imagine It Clean	Other	Total 2004
82	5	8,976
—	202	25,663
—	—	447
—	—	4,802
—	—	731
—	—	10,163
—	—	12
82	207	50,794
—	—	10,331
—	—	7,515
—	—	309
—	—	252
—	—	—
—	—	18,407
—	—	4,543
—	—	104
82	207	27,740
82	207	32,387
82	207	50,794

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2004
(Amounts in thousands)

	National League of Cities	New Orleans Economic Development	Neighborhood Housing Improvement	Environmental Improvement
Revenues:				
Taxes	\$ —	2,358	2,401	—
Intergovernmental	—	—	—	—
Program income	—	—	—	—
Fines and forfeits	—	—	—	502
Interest income	—	—	—	—
Contributions, gifts, and donations	—	9	—	—
Miscellaneous	—	—	—	—
Total revenues	<u>—</u>	<u>2,367</u>	<u>2,401</u>	<u>502</u>
Expenditures:				
General government	—	—	—	—
Public safety	—	—	—	—
Public works	—	—	—	—
Health and human services	—	—	—	345
Culture and recreation	—	—	—	—
Urban development and housing	—	—	—	—
Economic development and assistance	—	1,822	4,976	—
Total expenditures	<u>—</u>	<u>1,822</u>	<u>4,976</u>	<u>345</u>
Excess (deficiency) of revenues over expenditures	—	545	(2,575)	157
Other financing sources (uses):				
Operating transfers in	—	—	—	—
Operating transfers out	—	(690)	(579)	—
Total other financing sources (uses)	<u>—</u>	<u>(690)</u>	<u>(579)</u>	<u>—</u>
Net change in fund balance	<u>—</u>	<u>(145)</u>	<u>(3,154)</u>	<u>157</u>
Fund balances:				
Beginning of year	<u>5</u>	<u>6,390</u>	<u>6,125</u>	<u>1,392</u>
End of year	<u>\$ 5</u>	<u>6,245</u>	<u>2,971</u>	<u>1,549</u>

Exhibit C-2

American Can	Rivergate Special Fund	Rivergate Development Corporation	Termite Control Fund	Piazza D'italia Development	Traffic Court Judicial Expense
—	—	—	—	—	—
—	—	—	—	—	—
127	—	—	—	—	2,953
—	—	—	—	—	—
—	—	—	1	—	—
—	—	12,300	259	—	—
<u>127</u>	<u>—</u>	<u>12,300</u>	<u>260</u>	<u>—</u>	<u>2,953</u>
—	—	214	159	—	4,173
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
558	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>558</u>	<u>—</u>	<u>214</u>	<u>159</u>	<u>—</u>	<u>4,173</u>
(431)	—	12,086	101	—	(1,220)
—	—	—	—	—	1,118
<u>—</u>	<u>(679)</u>	<u>(12,200)</u>	<u>—</u>	<u>—</u>	<u>(399)</u>
—	(679)	(12,200)	—	—	719
<u>(431)</u>	<u>(679)</u>	<u>(114)</u>	<u>101</u>	<u>—</u>	<u>(501)</u>
6,191	679	793	138	23	900
<u>5,760</u>	<u>—</u>	<u>679</u>	<u>239</u>	<u>23</u>	<u>399</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2004
(Amounts in thousands)

	Sex Offender Proprietary Fund	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Special Event
Revenues:				
Taxes	\$ —	—	—	—
Intergovernmental	—	—	—	—
Program income	—	—	—	—
Fines and forfeits	—	1,145	—	—
Interest income	—	—	—	—
Contributions, gifts, and donations	—	—	—	—
Miscellaneous	18	—	—	—
Total revenues	<u>18</u>	<u>1,145</u>	<u>—</u>	<u>—</u>
Expenditures:				
General government	—	2,358	—	—
Public safety	—	—	—	—
Public works	—	—	—	—
Health and human services	—	—	—	—
Culture and recreation	—	—	—	—
Urban development and housing	—	—	—	—
Economic development and assistance	—	—	—	—
Total expenditures	<u>—</u>	<u>2,358</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	18	(1,213)	—	—
Other financing sources (uses):				
Operating transfers in	—	1,151	—	—
Operating transfers out	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>1,151</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>18</u>	<u>(62)</u>	<u>—</u>	<u>—</u>
Fund balances:				
Beginning of year	<u>12</u>	<u>62</u>	<u>—</u>	<u>2</u>
End of year	<u>\$ 30</u>	<u>—</u>	<u>—</u>	<u>2</u>

Exhibit C-2

Adopt-a-Pothole Program	Department of Safety and Permits - Demolition	Mayor's Office of Tourism and Arts	Mayoral Fellows Program	Music and Entertainment Commission	New Orleans Police Department - Crime Prevention
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	1	—
40	—	3	150	134	—
—	—	—	—	—	—
<u>40</u>	<u>—</u>	<u>3</u>	<u>150</u>	<u>135</u>	<u>—</u>
—	—	—	173	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	41	—	81	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>41</u>	<u>173</u>	<u>81</u>	<u>—</u>
40	—	(38)	(23)	54	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>40</u>	<u>—</u>	<u>(38)</u>	<u>(23)</u>	<u>54</u>	<u>—</u>
47	78	98	83	34	1
<u>87</u>	<u>78</u>	<u>60</u>	<u>60</u>	<u>88</u>	<u>1</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2004
(Amounts in thousands)

	<u>Asset Seizure</u>	<u>New Orleans War on Drugs</u>	<u>New Orleans Recreation Department</u>	<u>New Orleans Film Commission</u>
Revenues:				
Taxes	\$ —	—	—	—
Intergovernmental	—	—	—	—
Program income	—	—	—	—
Fines and forfeits	130	—	—	—
Interest income	5	—	—	1
Contributions, gifts, and donations	—	—	—	100
Miscellaneous	—	—	—	—
Total revenues	<u>135</u>	<u>—</u>	<u>—</u>	<u>101</u>
Expenditures:				
General government	—	—	—	—
Public safety	336	—	—	—
Public works	—	—	—	—
Health and human services	—	—	—	—
Culture and recreation	—	—	—	55
Urban development and housing	—	—	—	—
Economic development and assistance	—	—	—	—
Total expenditures	<u>336</u>	<u>—</u>	<u>—</u>	<u>55</u>
Excess (deficiency) of revenues over expenditures	(201)	—	—	46
Other financing sources (uses):				
Operating transfers in	—	—	—	—
Operating transfers out	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund fund balance	<u>(201)</u>	<u>—</u>	<u>—</u>	<u>46</u>
Fund balances:				
Beginning of year	521	8	50	30
End of year	<u>\$ 320</u>	<u>8</u>	<u>50</u>	<u>76</u>

<u>New Orleans Special Events</u>	<u>Vieux Carre' Commission</u>	<u>Vieux Carre' Restoration</u>	<u>Public Library Donations</u>	<u>Sanitation Recycling</u>	<u>Plant- A-Tree Campaign</u>	<u>Municipal Endowment Cox Cable</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
1	—	—	1	1	—	30
—	—	—	83	—	54	313
—	—	—	—	—	—	—
<u>1</u>	<u>—</u>	<u>—</u>	<u>84</u>	<u>1</u>	<u>54</u>	<u>343</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	309
—	—	—	—	—	—	—
—	—	—	18	—	78	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>18</u>	<u>—</u>	<u>78</u>	<u>309</u>
1	—	—	66	1	(24)	34
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>1</u>	<u>—</u>	<u>—</u>	<u>66</u>	<u>1</u>	<u>(24)</u>	<u>34</u>
<u>80</u>	<u>56</u>	<u>1</u>	<u>212</u>	<u>61</u>	<u>148</u>	<u>1,951</u>
<u>81</u>	<u>56</u>	<u>1</u>	<u>278</u>	<u>62</u>	<u>124</u>	<u>1,985</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2004
(Amounts in thousands)

	Capital Improvement and Infrastructure	Grant Recipient Funds	Delgado- Albania Plantation Commission	Edward Wisner
Revenues:				
Taxes	\$ 2,525	—	—	—
Intergovernmental	—	32,378	—	—
Program income	—	143	—	—
Fines and forfeits	—	125	—	—
Interest income	—	16	15	32
Contributions, gifts, and donations	—	—	100	954
Miscellaneous	—	—	—	—
Total revenues	<u>2,525</u>	<u>32,662</u>	<u>115</u>	<u>986</u>
Expenditures:				
General government	—	15,446	—	—
Public safety	—	3,223	—	—
Public works	—	—	—	—
Health and human services	—	6,592	—	—
Culture and recreation	—	104	15	913
Urban development and housing	—	—	—	—
Economic development and assistance	—	8,351	—	—
Total expenditures	<u>—</u>	<u>33,716</u>	<u>15</u>	<u>913</u>
Excess (deficiency) of revenues over expenditures	2,525	(1,054)	100	73
Other financing sources (uses):				
Operating transfers in	—	—	—	—
Operating transfers out	(14,924)	—	—	—
Total other financing sources (uses)	<u>(14,924)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>(12,399)</u>	<u>(1,054)</u>	<u>100</u>	<u>73</u>
Fund balances:				
Beginning of year	14,432	2,807	1,808	4,115
End of year	<u>\$ 2,033</u>	<u>1,753</u>	<u>1,908</u>	<u>4,188</u>

Exhibit C-2

LaHache Music	Place DeFrance— Joan of Arc	Simon Hersheim	Kiwanis Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Isaac Delgado Memorial
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	3	—	—	7
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	3	—	—	7
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	3	—	—	7
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	3	—	—	7
3	4	81	5	7	452
3	4	84	5	7	459

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2004
(Amounts in thousands)

	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lilly Violet	Mahalia Zimmerman Tomb	Mrs. Otto Joachim
Revenues:				
Taxes	\$ —	—	—	—
Intergovernmental	—	—	—	—
Program income	—	—	—	—
Fines and forfeits	—	—	—	—
Interest income	—	—	—	—
Contributions, gifts, and donations	—	—	—	—
Miscellaneous	—	—	—	—
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:				
General government	—	—	—	—
Public safety	—	—	—	—
Public works	—	—	—	—
Health and human services	—	—	—	—
Culture and recreation	—	—	—	—
Urban development and housing	—	—	—	—
Economic development and assistance	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	—	—	—	—
Other financing sources (uses):				
Operating transfers in	—	—	—	—
Operating transfers out	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:				
Beginning of year	—	18	3	1
End of year	<u>\$ —</u>	<u>18</u>	<u>3</u>	<u>1</u>

Exhibit C-2

<u>Sickles Legacy</u>	<u>Helen Adler Levy Library</u>	<u>Housing and Environment Improvement</u>	<u>Imagine It Clean</u>	<u>Other</u>	<u>Total</u>
—	—	—	—	—	7,284
—	—	—	—	—	32,378
—	—	—	—	—	270
—	—	10	—	—	4,865
4	1	—	—	—	118
—	—	—	—	—	1,941
—	—	—	270	—	12,847
<u>4</u>	<u>1</u>	<u>10</u>	<u>270</u>	<u>—</u>	<u>59,703</u>
—	—	—	—	—	22,523
—	—	—	—	—	3,559
—	—	—	188	—	497
—	—	—	—	—	6,937
—	—	—	—	—	1,305
—	—	—	—	—	558
—	—	—	—	—	15,149
<u>—</u>	<u>—</u>	<u>—</u>	<u>188</u>	<u>—</u>	<u>50,528</u>
4	1	10	82	—	9,175
—	—	—	—	—	2,269
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(29,471)</u>
—	—	—	—	—	(27,202)
<u>4</u>	<u>1</u>	<u>10</u>	<u>82</u>	<u>—</u>	<u>(18,027)</u>
256	44	—	—	207	50,414
<u>260</u>	<u>45</u>	<u>10</u>	<u>82</u>	<u>207</u>	<u>32,387</u>

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Grant Recipient Funds

December 31, 2004

(Amounts in thousands)

Assets	Federal Department of Interior	Federal Justice Administration	FDJ Office of Justice Program	Federal Health Administration
Cash	\$ —	22	—	553
Investments	—	—	1,051	—
Due from other funds	—	10	1	—
Due from other governments	—	799	—	3,469
Total assets	<u>\$ —</u>	<u>831</u>	<u>1,052</u>	<u>4,022</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	675	126	2,788
Due to other funds	—	156	—	1,151
Due to other governments	—	—	—	—
Total liabilities	<u>—</u>	<u>831</u>	<u>126</u>	<u>3,939</u>
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	—	—	926	83
Total fund balances	<u>—</u>	<u>—</u>	<u>926</u>	<u>83</u>
Total liabilities and fund balances	<u>\$ —</u>	<u>831</u>	<u>1,052</u>	<u>4,022</u>

Exhibit C-3

Federal Emergency Management	Department of Economic Development	Federal Energy Grant	Federal Department of Agriculture	Louisiana Commission on Law Enforcement	Department of Health and Human Resources
16	—	20	275	441	185
—	—	—	—	—	—
51	12	57	—	481	1
<u>67</u>	<u>12</u>	<u>77</u>	<u>275</u>	<u>922</u>	<u>1,096</u>
67	—	—	6	412	181
—	12	—	—	116	915
—	—	5	—	—	—
<u>67</u>	<u>12</u>	<u>5</u>	<u>6</u>	<u>528</u>	<u>1,096</u>
—	—	72	269	394	—
—	—	72	269	394	—
<u>67</u>	<u>12</u>	<u>77</u>	<u>275</u>	<u>922</u>	<u>1,096</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Grant Recipient Funds

December 31, 2004

(Amounts in thousands)

Assets	Environmental Protection Agency	Louisiana Department of Public Safety	Federal Department of Labor	Louisiana Department of Education
Cash	\$ —	3	—	2
Investments	—	—	—	—
Due from other funds	—	—	—	3
Due from other governments	8	2	—	—
Total assets	<u>\$ 8</u>	<u>5</u>	<u>—</u>	<u>5</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	—	—	—
Due to other funds	8	5	—	—
Due to other governments	—	—	—	—
Total liabilities	<u>8</u>	<u>5</u>	<u>—</u>	<u>—</u>
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	—	—	—	5
Total fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>5</u>
Total liabilities and fund balances	<u>\$ 8</u>	<u>5</u>	<u>—</u>	<u>5</u>

Exhibit C-3

Louisiana Department of Agriculture and Forest	Department of Culture, Recreation, and Tourism	Federal Department of Highway Administration	Department of Labor	Department of Resources	Traffic Court
—	—	—	61	4	264
—	—	—	—	—	—
—	2	—	—	—	—
5	—	—	3,032	—	—
<u>5</u>	<u>2</u>	<u>—</u>	<u>3,093</u>	<u>4</u>	<u>264</u>
—	—	—	2,639	3	12
5	—	—	454	—	—
—	—	—	—	—	252
<u>5</u>	<u>—</u>	<u>—</u>	<u>3,093</u>	<u>3</u>	<u>264</u>
—	2	—	—	1	—
—	2	—	—	1	—
<u>5</u>	<u>2</u>	<u>—</u>	<u>3,093</u>	<u>4</u>	<u>264</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Balance Sheet

Grant Recipient Funds

December 31, 2004

(Amounts in thousands)

Assets	Private Grants	Federal Department of Social Service	Federal Department of Homeland Security	Louisiana Military Department
Cash	\$ —	13	—	25
Investments	—	—	—	—
Due from other funds	1	—	—	14
Due from other governments	—	86	681	182
Total assets	<u>\$ 1</u>	<u>99</u>	<u>681</u>	<u>221</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	42	250	67
Due to other funds	—	57	431	154
Due to other governments	—	—	—	—
Total liabilities	<u>—</u>	<u>99</u>	<u>681</u>	<u>221</u>
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	1	—	—	—
Total fund balances	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 1</u>	<u>99</u>	<u>681</u>	<u>221</u>

Total 2004
1,884
1,051
89
9,718
<u>12,742</u>

7,268
3,464
257
<u>10,989</u>

<u>1,753</u>
<u>1,753</u>
<u>12,742</u>

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Grant Recipient Funds
Year ended December 31, 2004
(Amounts in thousands)

	Federal Department of Interior	Federal Justice Administration	FDJ Office of Justice Program	Federal Health Administration
Revenues:				
Intergovernmental	\$ 2	2,407	379	13,619
Program income	—	—	—	—
Fines and forfeits	—	—	—	—
Interest income	—	—	16	—
Total revenues	<u>2</u>	<u>2,407</u>	<u>395</u>	<u>13,619</u>
Expenditures:				
General government	2	815	706	10,736
Public safety	—	1,592	632	—
Health and human services	—	—	—	2,883
Culture and recreation	—	—	—	—
Economic development and assistance	—	—	—	—
Total expenditures	<u>2</u>	<u>2,407</u>	<u>1,338</u>	<u>13,619</u>
(Deficiency) excess of revenues over expenditures	<u>—</u>	<u>—</u>	<u>(943)</u>	<u>—</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>(943)</u>	<u>—</u>
Fund balances:				
Beginning of year	—	—	1,869	83
End of year	<u>\$ —</u>	<u>—</u>	<u>926</u>	<u>83</u>

Exhibit C-4

<u>Federal Emergency Management</u>	<u>Department of Economic Development</u>	<u>Federal Energy Grant</u>	<u>Federal Department of Agriculture</u>	<u>Louisiana Commission on Law Enforcement</u>	<u>Department of Health and Human Resources</u>
50	—	—	351	1,299	3,347
—	—	—	—	—	143
—	—	—	—	—	—
—	—	—	—	—	—
<u>50</u>	<u>—</u>	<u>—</u>	<u>351</u>	<u>1,299</u>	<u>3,490</u>
271	—	—	166	152	19
55	—	—	—	722	129
4	—	—	—	425	3,238
—	—	—	—	—	104
—	—	—	—	—	—
<u>330</u>	<u>—</u>	<u>—</u>	<u>166</u>	<u>1,299</u>	<u>3,490</u>
(280)	—	—	185	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>(280)</u>	<u>—</u>	<u>—</u>	<u>185</u>	<u>—</u>	<u>—</u>
280	—	72	84	394	—
—	—	72	269	394	—
<u>—</u>	<u>—</u>	<u>72</u>	<u>269</u>	<u>394</u>	<u>—</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Grant Recipient Funds
Year ended December 31, 2004
(Amounts in thousands)

	Environmental Protection Agency	Louisiana Department of Public Safety	Federal Department of Labor	Louisiana Department of Education
Revenues:				
Intergovernmental	\$ 341	48	6	—
Program income	—	—	—	—
Fines and forfeits	—	—	—	—
Interest income	—	—	—	—
Total revenues	<u>341</u>	<u>48</u>	<u>6</u>	<u>—</u>
Expenditures:				
General government	341	—	—	—
Public safety	—	48	—	—
Health and human services	—	—	—	—
Culture and recreation	—	—	—	—
Economic development and assistance	—	—	6	—
Total expenditures	<u>341</u>	<u>48</u>	<u>6</u>	<u>—</u>
(Deficiency) excess of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:				
Beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>5</u>
End of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>5</u>

Exhibit C-4

Louisiana Department of Agriculture and Forest	Department of Culture, Recreation and Tourism	Federal Department of Highway Administration	Department of Labor	Department of Resources	Traffic Court
5	—	45	8,247	35	—
—	—	—	—	—	—
—	—	—	—	—	125
5	—	45	8,247	35	125
8	—	—	152	48	125
—	—	45	—	—	—
—	—	—	—	—	—
—	—	—	8,095	—	—
8	—	45	8,247	48	125
(3)	—	—	—	(13)	—
—	—	—	—	—	—
—	—	—	—	—	—
(3)	—	—	—	(13)	—
3	2	—	—	14	—
—	2	—	—	1	—

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Grant Recipient Funds
Year ended December 31, 2004
(Amounts in thousands)

	<u>Private Grants</u>	<u>Federal Department of Homeland Security</u>	<u>Federal Department of Social Service</u>	<u>Louisiana Military Department</u>
Revenues:				
<i>Intergovernmental</i>	\$ —	1,303	292	602
Program income	—	—	—	—
Fines and forfeits	—	—	—	—
Interest income	—	—	—	—
Total revenues	<u>—</u>	<u>1,303</u>	<u>292</u>	<u>602</u>
Expenditures:				
General government	—	1,303	—	602
Public safety	—	—	—	—
Health and human services	—	—	42	—
Culture and recreation	—	—	—	—
Economic development and assistance	—	—	250	—
Total expenditures	<u>—</u>	<u>1,303</u>	<u>292</u>	<u>602</u>
(Deficiency) excess of revenues over expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances:				
Beginning of year	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
End of year	<u>\$ 1</u>	<u>—</u>	<u>—</u>	<u>—</u>

<u>Total 2004</u>
32,378
143
125
16
<u>32,662</u>
15,446
3,223
6,592
104
8,351
<u>33,716</u>
<u>(1,054)</u>
<u>—</u>
<u>—</u>
<u>(1,054)</u>
<u>2,807</u>
<u>1,753</u>

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FIDUCIARY FUNDS

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CITY OF NEW ORLEANS, LOUISIANA

Trust and Agency Funds

December 31, 2004

Pension trust funds are used to account for the accumulation of resources to be used for retirement annuities and death and disability benefits for employees covered by the various plans. Resources are contributed by employees at rates fixed by laws and by the City at amounts determined by actuarial study.

Agency funds are used to account for all monies held by the City in a custodial capacity. Such monies are recorded as assets and equally offset by liabilities. These funds do not measure revenues, expenditures, or expenses. The City's agency funds are as follows:

- *Clearing Fund* - Used to account for money being held pending payment thereof to other funds as provided by law.
- *Deposit Fund* - Used to account for money deposited under any ordinance or contract in connection with the exercise of any right or privilege for the purpose of guaranteeing performance of any obligation.
- *Escrow Fund* - Used to account for money paid to or deposited with any officer, department, or board under protest or held subject to the proper determination of the rights of the City.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Plan Net Assets

Pension Trust Funds

December 31, 2004

(Amounts in thousands)

Assets	Firefighters'		Police old system	Employees' retirement system	Firefighters' bond fund	Elimination	Total
	Old system	New system					
Current assets:							
Cash	\$ 5,930	170	331	2,551	—	—	8,982
Investments	9,162	217,722	1,676	387,623	86,641	—	702,824
Receivables:							
Accrued interest	8	3,853	2	941	—	—	4,804
Contribution	86,641	35	—	463	—	(86,641)	498
Other	72	4,453	14	2,464	—	—	7,003
Property and equipment, net of accumulated depreciation	39	—	—	—	—	—	39
Other assets	—	—	—	—	—	—	—
Total assets	\$ 101,852	226,233	2,023	394,042	86,641	(86,641)	724,150
Liabilities and Net Assets							
Current liabilities:							
Accounts payable	\$ 1	135	5	111	—	—	252
Other payables and accruals	68	7,181	—	2,545	—	—	9,794
Total current liabilities	69	7,316	5	2,656	—	—	10,046
Long-term liabilities:							
Notes payable	—	17,904	—	—	—	—	17,904
Total long-term liabilities	—	17,904	—	—	—	—	17,904
Total liabilities	69	25,220	5	2,656	—	—	27,950
Net assets:							
Reserved for:							
Employees' pension benefits	101,783	201,013	2,018	391,386	86,641	(86,641)	696,200
Total net assets	101,783	201,013	2,018	391,386	86,641	(86,641)	696,200
Total liabilities and net assets	\$ 101,852	226,233	2,023	394,042	86,641	(86,641)	724,150

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
Year ended December 31, 2004
(Amounts in thousands)

	Firefighters'		Police old system	Employees' retirement system	Firefighters' bond fund	Elimination	Totals
	Old system	New system					
<i>Additions:</i>							
<i>Contributions:</i>							
Employer	\$ ---	---	---	8,151	---	---	8,151
Members	---	1,020	---	4,356	---	---	5,376
Fire insurance rebate	605	8,054	174	---	---	---	8,833
Total contributions	605	9,074	174	12,507	---	---	22,360
<i>Investment income:</i>							
Net appreciation in fair value of investments	7,652	19,193	---	30,261	7,349	(7,349)	57,106
Interest and dividends	2,092	4,319	20	7,922	1,993	(1,993)	14,353
Other investment income	59	2,031	---	754	---	---	2,844
Less investment expense	(477)	(6,753)	(2)	(2,234)	---	---	(9,466)
Net investment income	9,326	18,790	18	36,703	9,342	(9,342)	64,837
Other income	---	---	---	---	---	---	---
Total additions	9,931	27,864	192	49,210	9,342	(9,342)	87,197
<i>Deductions:</i>							
Pension benefits	17,301	9,339	38	21,016	20,398	(20,398)	47,694
Refund of member contributions	---	34	---	771	---	---	805
Death benefits	69	9	---	---	---	---	78
Administrative expenses	505	368	93	88	472	(472)	1,054
DROP withdrawal	144	1,002	---	1,898	---	---	3,044
PLOP withdrawal	90	1,023	---	---	---	---	1,113
Transfers	---	116	1,445	432	---	---	1,993
Total deductions	18,109	11,891	1,576	24,205	20,870	(20,870)	55,781
Net increase	(8,178)	15,973	(1,384)	25,005	(11,528)	11,528	31,416
Net assets held in trust for pension benefits - beginning of year	109,961	185,040	3,402	366,381	98,169	(98,169)	664,784
Net assets held in trust for pension benefits - end of year	\$ 101,783	201,013	2,018	391,386	86,641	(86,641)	696,200

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended December 31, 2004
(Amounts in thousands)

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Clearing fund:				
Assets:				
Cash	\$ 39,037	3,285,566	3,305,537	19,066
Investments	—	181,312	154,100	27,212
Accounts receivable	62	920	61	921
Due from other funds	2,683	17,697	16,496	3,884
Due from other governments	826	2,660	826	2,660
	<u>\$ 42,608</u>	<u>3,488,155</u>	<u>3,477,020</u>	<u>53,743</u>
Liabilities:				
Accounts payable	11,926	107,938	110,536	9,328
Other payables and accruals	5,340	520,206	519,971	5,575
Due to other funds	1,754	8,738	1,702	8,790
Due to other governments	23,412	1,537,816	1,531,178	30,050
Due to component units	176	—	176	—
	<u>\$ 42,608</u>	<u>2,174,698</u>	<u>2,163,563</u>	<u>53,743</u>
Deposit fund:				
Assets:				
Cash	\$ 2,213	25,550	25,000	2,763
Investments	2,336	4,475	2,976	3,835
Accounts receivable	62	64	63	63
Due from other funds	—	—	—	—
Due from other governments	85	1,845	1,866	64
	<u>\$ 4,696</u>	<u>31,934</u>	<u>29,905</u>	<u>6,725</u>
Liabilities:				
Accounts payable	309	2,139	2,218	230
Other payables and accruals	4,167	4,811	5,180	3,798
Due to other funds	220	2,987	510	2,697
	<u>\$ 4,696</u>	<u>9,937</u>	<u>7,908</u>	<u>6,725</u>

CITY OF NEW ORLEANS, LOUISIANA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended December 31, 2004
(Amounts in thousands)

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Escrow fund				
Assets:				
Cash	\$ 372	218,764	218,675	461
Investments	20,814	37,966	38,389	20,391
Due from other funds	2,671	4,500	6,471	700
	<u>\$ 23,857</u>	<u>261,230</u>	<u>263,535</u>	<u>21,552</u>
Liabilities:				
Accounts payable	\$ 404	14,294	13,965	733
Other payables and accruals	20,695	26,806	32,464	15,037
Due to other funds	2,758	6,025	3,001	5,782
	<u>\$ 23,857</u>	<u>47,125</u>	<u>49,430</u>	<u>21,552</u>
Total all agency funds:				
Assets:				
Cash	\$ 41,622	3,529,880	3,549,212	22,290
Investments	23,150	223,753	195,465	51,438
Accounts receivable	124	984	124	984
Due from other funds	5,354	22,197	22,967	4,584
Due from other governments	911	4,505	2,692	2,724
	<u>\$ 71,161</u>	<u>3,781,319</u>	<u>3,770,460</u>	<u>82,020</u>
Liabilities:				
Accounts payable	\$ 12,639	124,371	126,719	10,291
Other payables and accruals	30,202	551,823	557,615	24,410
Due to other funds	4,732	17,750	5,213	17,269
Due to other governments	23,412	1,537,816	1,531,178	30,050
Due to component units	176	—	176	—
	<u>\$ 71,161</u>	<u>2,231,760</u>	<u>2,220,901</u>	<u>82,020</u>

See accompanying notes to basic financial statements.

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NONMAJOR COMPONENT UNITS

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Nonmajor Component Units

December 31, 2004

(Amounts in thousands)

Assets	Downtown Development District	New Orleans Tourism Marketing Corporation	Orleans Parish Communication District
Current assets:			
Cash	\$ 1,244	3,827	7,423
Investments	5,305	—	—
Receivables (net of allowances for uncollectibles):			
Accounts	95	2,384	764
Accrued interest	32	—	—
Other	454	—	—
Due from other governments	39	—	—
Prepaid expenses and deposits	3	—	45
Other assets	—	—	—
Total current assets	<u>7,172</u>	<u>6,211</u>	<u>8,232</u>
Restricted cash and investments:			
Construction account	—	—	—
Current debt service account	—	—	—
Future debt service account	—	—	—
Contingency (renewal and replacement) account	—	—	—
Operation and maintenance account	—	—	—
Capital improvements	—	—	—
Other	275	—	10,061
Total restricted assets	<u>275</u>	<u>—</u>	<u>10,061</u>
Property, plant, and equipment – at cost, less accumulated depreciation	83	46	2,980
Other assets	64	—	—
Total assets	<u>\$ 7,594</u>	<u>6,257</u>	<u>21,273</u>

Exhibit D-1

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total
586	4,208	1,757	3,942	22,987
1,445	—	—	—	6,750
84	173	16	624	4,140
—	—	—	—	32
—	151	—	—	605
101	—	—	1,355	1,495
—	51	106	—	205
—	—	—	—	—
<u>2,216</u>	<u>4,583</u>	<u>1,879</u>	<u>5,921</u>	<u>36,214</u>
—	—	—	11,433	11,433
—	—	—	—	—
—	—	—	—	—
—	—	2,467	—	2,467
—	—	—	—	—
—	—	—	—	—
700	—	—	2,000	13,036
<u>700</u>	<u>—</u>	<u>2,467</u>	<u>13,433</u>	<u>26,936</u>
3,516	7,873	6,751	6,892	28,141
405	16	—	—	485
<u>6,837</u>	<u>12,472</u>	<u>11,097</u>	<u>26,246</u>	<u>91,776</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Nonmajor Component Units

December 31, 2004

(Amounts in thousands)

Liabilities and Net Assets	Downtown Development District	New Orleans Tourism Marketing Corporation	Orleans Parish Communication District
Current liabilities (payable from current assets):			
Accounts payable	\$ 915	529	150
Other payables and accruals	203	1,240	601
Due to other funds	—	—	—
Due to other governments	416	—	555
Capital lease payable	8	—	363
Deferred revenues	299	—	—
Total current liabilities	<u>1,841</u>	<u>1,769</u>	<u>1,669</u>
(payable from current assets)			
Current liabilities (payable from restricted assets):			
Accrued interest	—	—	—
Bonds payable, current portion	—	—	—
Deposits and other	—	—	—
Total current liabilities (payable from restricted assets)	<u>—</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>1,841</u>	<u>1,769</u>	<u>1,669</u>
Long-term liabilities:			
Capital lease payable	18	—	863
Revenue bonds (net of current portion)	6,715	—	9,515
Refunding bonds (net of current portion and unamortized loss on advance refunding)	—	—	—
Other	—	34	34
Total long-term liabilities	<u>6,733</u>	<u>34</u>	<u>10,412</u>
Total liabilities	<u>8,574</u>	<u>1,803</u>	<u>12,081</u>
Net assets:			
Invested in capital assets – net of related debt	83	46	2,980
Restricted for bond debt service	274	—	61
Unrestricted	(1,337)	4,408	6,151
Total net assets	<u>(980)</u>	<u>4,454</u>	<u>9,192</u>
Total liabilities and net assets	<u>\$ 7,594</u>	<u>6,257</u>	<u>21,273</u>

See accompanying notes to basic financial statements.

Exhibit D-1

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total
38	248	21	—	1,901
250	828	—	49	3,171
500	—	—	—	500
—	—	304	—	1,275
—	—	—	—	371
—	8	8	—	315
788	1,084	333	49	7,533
—	—	7	—	7
—	—	230	355	585
—	—	100	—	100
—	—	337	355	692
788	1,084	670	404	8,225
—	—	—	—	881
1,290	—	—	13,145	30,665
—	—	3,870	—	3,870
—	—	—	—	68
1,290	—	3,870	13,145	35,484
2,078	1,084	4,540	13,549	43,709
—	7,873	2,651	—	13,633
67	—	—	3,109	3,511
4,692	3,515	3,906	9,588	30,923
4,759	11,388	6,557	12,697	48,067
6,837	12,472	11,097	26,246	91,776

CITY OF NEW ORLEANS
Combining Statement of Activities
Nonmajor Component Units
Year ended December 31, 2004

	<u>Program Revenues</u>			<u>Net (expense) revenue and changes in net assets</u>	
	<u>Expenses</u>	<u>Charges for services</u>	<u>Capital contributions</u>	<u>Downtown Development District</u>	<u>New Orleans Tourism Marketing Corporation</u>
Component units:					
Downtown Development District	\$ 5,411	196	392	(4,822)	—
New Orleans Tourism Marketing Corporation	11,006	—	—	—	(11,006)
Orleans Parish Communication District	3,635	4,306	—	—	—
Municipal Yacht Harbor Management Corporation	1,452	1,290	—	—	—
French Market Corporation	6,836	6,205	—	—	—
Upper Pontalba Building Restoration Corporation	947	1,352	—	—	—
Canal Steel Development Corporation	1,988	1,642	—	—	—
Total component units	<u>\$ 31,275</u>	<u>14,991</u>	<u>392</u>	<u>(4,822)</u>	<u>(11,006)</u>
General revenue (expense):					
Interest revenue				84	78
Property taxes				5,586	—
Other				101	10,729
Total general revenues				<u>5,771</u>	<u>10,807</u>
Changes in net assets				949	(199)
Net assets – beginning				<u>(1,929)</u>	<u>4,653</u>
Net assets – ending				<u>\$ (980)</u>	<u>4,454</u>

See accompanying notes to basic financial statements.

Net (expense) revenue and changes in net assets					
Orleans Parish Communication District	Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Restoration Corporation	Canal Street Development Corporation	Total
—	—	—	—	—	(4,822)
—	—	—	—	—	(11,006)
671	—	—	—	—	671
—	(162)	—	—	—	(162)
—	—	(631)	—	—	(631)
—	—	—	405	—	405
—	—	—	—	(346)	(346)
671	(162)	(631)	405	(346)	(15,891)
(32)	(59)	894	36	225	1,226
—	—	—	—	—	5,586
—	—	—	—	—	10,830
(32)	(59)	894	36	225	17,642
639	(221)	263	441	(121)	1,751
8,553	4,980	11,125	6,116	12,818	46,316
9,192	4,759	11,388	6,557	12,697	48,067

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CAPITAL ASSETS

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Capital Assets by Asset Class and Source
 December 31, 2004
 (Amounts in thousands)

Governmental funds capital assets:	
Land	\$.103,372
Infrastructure	2,190,069
Buildings and improvements	225,447
Equipment and vehicles	43,599
Other	15,066
Construction in progress	<u>236,837</u>
Total governmental funds capital assets	<u>\$ 2,814,390</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Schedule of Capital Assets by Function and Activity
December 31, 2004
(Amounts in thousands)

Function and Activity	Land	Infrastructure	Buildings and improvements	Equipment	Other	Total
General government:						
The Council	\$ —	—	—	18	—	18
The Mayor	—	—	—	34	—	34
Department of Law	—	—	—	120	—	120
Judicial and Parochial	—	—	66,000	75	—	66,075
Department of Finance	—	—	—	—	—	—
Unattached boards and commissions	—	—	—	203	—	203
Department of Civil Service	—	—	—	—	—	—
General government	—	—	—	22,126	—	22,126
Total general government	—	—	66,000	22,576	—	88,576
Public safety:						
Department of Police	—	—	—	12,807	—	12,807
Department of Fire	—	—	—	6,698	—	6,698
Department of Safety and Permits	—	—	—	—	—	—
Total public safety	—	—	—	19,505	—	19,505
Public works:						
Department of Streets	—	2,190,069	—	29	—	2,190,098
Department of Sanitation	—	—	—	306	—	306
Department of Property Management	103,372	—	159,447	90	15,066	277,975
Department Utilities	—	—	—	99	—	99
Total public works	103,372	2,190,069	159,447	524	15,066	2,468,478
Health and Human Services:						
Department of Health	—	—	—	—	—	—
Department of Human Services	—	—	—	45	—	45
Total health and human services	—	—	—	45	—	45
Culture and recreation:						
Public Library	—	—	—	54	—	54
Cultural Commission	—	—	—	723	—	723
Department of Recreation	—	—	—	127	—	127
Total culture and recreation	—	—	—	904	—	904
Urban development and housing						
Total capital assets allocated to functions	\$ 103,372	2,190,069	225,447	43,599	15,066	2,577,553
Construction in progress						236,837
Total capital assets						\$ 2,814,390

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Changes in Capital Assets by Function and Activity

Year ended December 31, 2004

(Amounts in thousands)

Function and Activity	Capital assets January 1, 2004 (as restated)	Additions	Deductions	Capital assets December 31, 2004
General government:				
The Council	\$ —	18	—	18
The Mayor	222	104	(292)	34
Department of Law	162	13	(55)	120
Judicial and Parochial	66,075	—	—	66,075
Department of Finance	89	22	(111)	—
Unattached boards and commissions	455	169	(421)	203
Department of Civil Service	15	20	(35)	—
General services	26,208	299	(4,381)	22,126
Total general government	<u>93,226</u>	<u>645</u>	<u>(5,295)</u>	<u>88,576</u>
Public safety:				
Department of Police	26,048	399	(13,640)	12,807
Department of Fire	10,818	381	(4,501)	6,698
Department of Safety and Permits	—	125	(125)	—
Total public safety	<u>36,866</u>	<u>905</u>	<u>(18,266)</u>	<u>19,505</u>
Public works:				
Department of Streets	2,185,170	7,880	(2,952)	2,190,098
Department of Sanitation	1,272	242	(1,208)	306
Department of Property Management	236,927	42,586	(1,538)	277,975
Department Utilities	10	99	(10)	99
Total public works	<u>2,423,379</u>	<u>50,807</u>	<u>(5,708)</u>	<u>2,468,478</u>
Health and human services:				
Department of Health	165	73	(238)	—
Department of Human Services	178	32	(165)	45
Total health and human services	<u>343</u>	<u>105</u>	<u>(403)</u>	<u>45</u>
Culture and recreation:				
Public Library	356	—	(302)	54
Cultural Commission	1,067	458	(802)	723
Department of Recreation	110	32	(15)	127
Total culture and recreation	<u>1,533</u>	<u>490</u>	<u>(1,119)</u>	<u>904</u>
Urban development and housing	248	—	(203)	45
Construction in progress	214,544	57,251	(34,958)	236,837
Total capital assets	<u>\$ 2,770,139</u>	<u>110,203</u>	<u>(65,952)</u>	<u>2,814,390</u>

See accompanying notes to the basic financial statements.

SUPPLEMENTARY SCHEDULES

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of General Bonded Service Requirements Until Maturity
 December 31, 2004
 (Amounts in thousands)

Year:	General obligations bonds	
	Principal	Interest
2005	\$ 16,964	37,483
2006	17,173	37,798
2007	16,955	38,014
2008	16,734	38,196
2009	16,587	38,329
2010	16,625	38,288
2011	16,715	38,199
2012	16,872	38,060
2013	17,033	37,920
2014	17,317	37,658
2015	17,955	37,343
2016	18,389	37,001
2017	18,878	36,532
2018	19,439	35,999
2019	41,935	13,533
2020	44,205	11,283
2021	46,595	8,911
2022	13,125	6,384
2023	13,810	5,720
2024	14,535	5,020
2025	15,290	4,284
2026	14,075	3,508
2027	11,165	2,783
2028	9,015	2,193
2029	9,490	1,712
2030	7,645	1,205
2031	6,345	804
2032	4,385	470
2033	4,601	241
	\$ 499,852	594,871

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Revenues and Other Financing Sources –
 Budget (Non-GAAP Budgetary Basis) and Actual
 General Fund
 Year ended December 31, 2004
 (Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Taxes:			
Real estate	\$ 19,540	19,721	181
Personal property	9,624	9,100	(524)
Dedicated millage:			
Police	18,881	18,654	(227)
Fire	18,776	18,533	(243)
Library	7,842	8,220	378
Recreation	2,934	2,756	(178)
Parkway	2,934	2,756	(178)
Streets	3,716	3,491	(225)
Sales – undedicated	153,700	150,724	(2,976)
Penalty and interest on delinquent taxes	3,559	5,092	1,533
Utilities	10,800	10,818	18
Chain store	275	194	(81)
Special real property service charge	—	—	—
Beverage excise	725	600	(125)
Amusement	—	5	5
Off-track betting	450	471	21
Fairground tax	400	—	(400)
Parking	2,600	3,517	917
Documentary transaction	5,500	7,298	1,798
Racing tax	101	669	568
Total taxes	<u>262,357</u>	<u>262,619</u>	<u>262</u>
Licenses and permits:			
Electrical licenses	630	699	69
Air conditioning and gas fitter licenses	82	88	6
Hoisting and portable licenses	8	7	(1)
Occupational licenses	10,500	10,717	217
Special operating engineer licenses	—	—	—
Stationary engineer licenses	70	74	4
Miscellaneous licenses	443	398	(45)
Service cuts	10	—	(10)

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Revenues and Other Financing Sources –
 Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

Year ended December 31, 2004

(Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Franchises:			
Cox Communications	\$ 3,979	3,911	(68)
Entergy	30,000	31,119	1,119
BellSouth Telecommunications	5,500	5,877	377
Miscellaneous franchises	3,000	379	(2,621)
Beverage permits	1,569	1,869	300
Brake tag permits	3,160	2,819	(341)
Building permits	3,450	3,104	(346)
Mayoral permits	321	341	20
Mechanical permits	753	783	30
Taxi and chauffeurs permits	600	602	2
Massage parlor permits	—	—	—
Mardi Gras parade permits	69	95	26
Medical transportation vehicle permits	20	20	—
Freight loading zone	40	45	5
Public right-of-way use	1,367	788	(579)
Miscellaneous	342	455	113
Total licenses and permits	<u>65,913</u>	<u>64,190</u>	<u>(1,723)</u>
Intergovernmental:			
Federal aid – other	158	54	(104)
Federal natural resources environment	100	1,099	999
State revenue sharing	2,607	2,567	(40)
State aid – DHRR	980	953	(27)
State aid – public safety	—	127	127
State aid – other	4,420	5,217	797
Parish transportation fund	4,010	3,820	(190)
Automobile rental tax	75	43	(32)
Severance tax	—	119	119
Orleans Parish Comm. District telephone tax	480	960	480
Total intergovernmental	<u>12,830</u>	<u>14,959</u>	<u>2,129</u>

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Revenues and Other Financing Sources –
 Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

Year ended December 31, 2004

(Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Charges for services:			
Admission charge	\$ 4	10	6
Commercial disposal charges	100	305	205
Food/drink concessions	22	20	(2)
Driving range fees	12	19	7
Emergency medical service charge	6,732	6,490	(242)
Sales – maps and documents	52	29	(23)
Fire protection – New Orleans Airport	2,633	2,567	(66)
Grass cutting	50	79	29
Green fees	455	397	(58)
Indirect cost	1,867	1,551	(316)
Inspection fees, vacant buildings	1	—	(1)
Litter abatement charge	900	399	(501)
Park entrance fees	19	—	(19)
Parking meters	4,325	3,496	(829)
Police and fire services – other	1,169	1,485	316
Public cemetery burial	25	20	(5)
Sanitation service charges	25,500	21,600	(3,900)
Service fees – uninhabitable buildings	—	—	—
Tax collection service:			
Orleans Parish School Board (Ad valorem)	10	—	(10)
Orleans Parish School Board	1,329	1,571	242
Regional Transit Authority	899	948	49
Lien research service	109	125	16
Zoning books and petitions	40	40	—
Data processing services – parish agencies	—	—	—
Maintenance of state highways	380	381	1
Towing and immobilization charges	1,125	1,111	(14)
Utility regulatory fees	7,200	6,593	(607)
Curbside recycling	—	1,846	1,846
Other	1,293	1,243	(50)
Notarial	60	33	(27)
Lakeview and Lake Carmel fees	—	20	20
Fees rate applied	297	—	(297)
Abandoned car-street	—	—	—
	<u>56,608</u>	<u>52,378</u>	<u>(4,230)</u>
Total charges for services			

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Revenues and Other Financing Sources –
Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

Year ended December 31, 2004

(Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Fines and forfeits:			
Fines and fees	\$ 13,918	14,648	730
Impounded cars	153	99	(54)
Traffic violations	2,895	2,775	(120)
Municipal court fines	84	—	(84)
Municipal court costs	—	89	89
Library fines	189	180	(9)
Administration adjudication fees	18	11	(7)
Total fines and forfeits	<u>17,257</u>	<u>17,802</u>	<u>545</u>
Interest income	<u>5,045</u>	<u>3,452</u>	<u>(1,593)</u>
Total interest income	<u>5,045</u>	<u>3,452</u>	<u>(1,593)</u>
Contributions, gifts, and donations	<u>3,466</u>	<u>12,857</u>	<u>9,391</u>
Miscellaneous:			
Cash overage	100	58	(42)
Workers' compensation subrogation	739	501	(238)
Building and ground rental	1,007	860	(147)
Casino support service	1,000	1,000	—
Vending machine royalties	—	2	2
Parking royalties	20	19	(1)
Pay phone royalties	1	17	16
Riverboat gaming fees	3,500	3,287	(213)
Insurance proceeds	1,262	1,418	156
Intellectual property proceeds	125	41	(84)
Other	13,332	9,055	(4,277)
Total miscellaneous	<u>21,086</u>	<u>16,258</u>	<u>(4,828)</u>
Total revenues	<u>444,562</u>	<u>444,515</u>	<u>(47)</u>
Other financing sources:			
Operating transfers in	14,529	14,399	(130)
Transfer in from component unit	—	—	—
Proceeds from bond issuance	—	19,706	19,706
Appropriations from prior year budgetary fund balance	8,550	10,431	1,881
Reduction in prior year's outstanding encumbrances	—	1,480	1,480
Other	—	1,992	1,992
Total other financing sources	<u>23,079</u>	<u>48,008</u>	<u>24,929</u>
Total revenues and other financing sources	<u>\$ 467,641</u>	<u>492,523</u>	<u>24,882</u>

See accompanying notes to the basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Expenditures and Other Financing Uses –
Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

Year ended December 31, 2004

(Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
General government:			
The Council:			
Personal services	\$ 3,507	3,242	265
Other operating expenditures	9,653	8,958	695
	<u>13,160</u>	<u>12,200</u>	<u>960</u>
The Mayor:			
Personal services	11,011	11,712	(701)
Other operating expenditures	45,710	45,505	205
	<u>56,721</u>	<u>57,217</u>	<u>(496)</u>
Department of Law:			
Personal services	5,189	5,041	148
Other operating expenditures	4,695	4,807	(112)
	<u>9,884</u>	<u>9,848</u>	<u>36</u>
Judicial and parochial:			
Personal services	6,408	6,334	74
Other operating expenditures	40,234	42,472	(2,238)
	<u>46,642</u>	<u>48,806</u>	<u>(2,164)</u>
Department of Finance:			
Personal services	7,964	7,404	560
Other operating expenditures	12,927	4,109	8,818
	<u>20,891</u>	<u>11,513</u>	<u>9,378</u>
Unattached boards and commissions:			
Personal services	3,426	2,918	508
Other operating expenditures	866	368	498
	<u>4,292</u>	<u>3,286</u>	<u>1,006</u>

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Expenditures and Other Financing Uses –
Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

Year ended December 31, 2004

(Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Department of Civil Service:			
Personal services	\$ 2,025	1,983	42
Other operating expenditures	367	237	130
	<u>2,392</u>	<u>2,220</u>	<u>172</u>
General services:			
Personal services	1,152	—	1,152
Other operating expenditures	4,819	4,387	432
	<u>5,971</u>	<u>4,387</u>	<u>1,584</u>
Total general government	<u>159,953</u>	<u>149,477</u>	<u>10,476</u>
Public safety:			
Department of Police:			
Personal services	109,885	116,208	(6,323)
Other operating expenditures	6,982	5,960	1,022
	<u>116,867</u>	<u>122,168</u>	<u>(5,301)</u>
Department of Fire:			
Personal services	48,028	53,122	(5,094)
Other operating expenditures	2,461	1,122	1,339
	<u>50,489</u>	<u>54,244</u>	<u>(3,755)</u>
Department of Safety and Permits:			
Personal services	3,998	3,341	657
Other operating expenditures	385	139	246
	<u>4,383</u>	<u>3,480</u>	<u>903</u>
Total public safety	<u>171,739</u>	<u>179,892</u>	<u>(8,153)</u>
Public works:			
Department of Public Works:			
Personal services	8,808	10,644	(1,836)
Other operating expenditures	7,788	6,559	1,229
	<u>16,596</u>	<u>17,203</u>	<u>(607)</u>

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Expenditures and Other Financing Uses –
 Budget (Non-GAAP Budgetary Basis) and Actual
 General Fund
 Year ended December 31, 2004
 (Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Department of Sanitation:			
Personal services	\$ 2,274	2,340	(66)
Other operating expenditures	32,430	34,546	(2,116)
	<u>34,704</u>	<u>36,886</u>	<u>(2,182)</u>
Department of Property Management:			
Personal services	4,890	5,236	(346)
Other operating expenditures	6,001	5,578	423
	<u>10,891</u>	<u>10,814</u>	<u>77</u>
Department of Utilities:			
Personal services	—	—	—
Other operating expenditures	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Total public works	<u>62,191</u>	<u>64,903</u>	<u>(2,712)</u>
Health and human services:			
Department of Health:			
Personal services	8,659	9,844	(1,185)
Other operating expenditures	1,765	1,384	381
	<u>10,424</u>	<u>11,228</u>	<u>(804)</u>
Department of Human Services:			
Personal services	2,054	2,281	(227)
Other operating expenditures	276	253	23
	<u>2,330</u>	<u>2,534</u>	<u>(204)</u>
Total health and human services	<u>12,754</u>	<u>13,762</u>	<u>(1,008)</u>

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Expenditures and Other Financing Uses –
 Budget (Non-GAAP Budgetary Basis) and Actual
 General Fund
 Year ended December 31, 2004
 (Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Culture and recreation:			
Public Library:			
Personal services	\$ 6,803	6,707	96
Other operating expenditures	1,118	1,068	50
	<u>7,921</u>	<u>7,775</u>	<u>146</u>
Historical District Landmarks Commission:			
Personal services	439	418	21
Other operating expenditures	44	24	20
	<u>483</u>	<u>442</u>	<u>41</u>
Vieux Carre Commission:			
Personal services	434	395	39
Other operating expenditures	16	7	9
	<u>450</u>	<u>402</u>	<u>48</u>
Museum of Art:			
Other operating expenditures	225	225	—
	<u>225</u>	<u>225</u>	<u>—</u>
Parkway and Parks Commission:			
Personal services	6,376	6,608	(232)
Other operating expenditures	1,021	908	113
	<u>7,397</u>	<u>7,516</u>	<u>(119)</u>
Department of Recreation:			
Personal services	5,185	5,607	(422)
Other operating expenditures	1,731	815	916
	<u>6,916</u>	<u>6,422</u>	<u>494</u>
Total culture and recreation	<u>23,392</u>	<u>22,782</u>	<u>610</u>

CITY OF NEW ORLEANS, LOUISIANA
 Schedule of Expenditures and Other Financing Uses –
 Budget (Non-GAAP Budgetary Basis) and Actual
 General Fund
 Year ended December 31, 2004
 (Amounts in thousands)

	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance – favorable (unfavorable)</u>
Urban development and housing general services – community development:			
Personal services	\$ —	—	—
Other operating expenditures	—	—	—
Total urban development and housing	—	—	—
Debt service:			
Principal	17,803	17,803	—
Interest and fiscal charges	16,517	16,517	—
Total debt service	34,320	34,320	—
Other, net	1,981	2,269	(288)
Total expenditures	466,330	467,405	(1,075)
Total expenditures and other financing uses	\$ 466,330	467,405	(1,075)

See accompanying notes to the basic financial statements.

STATISTICAL SECTION
(Unaudited)

CITY OF NEW ORLEANS, LOUISIANA
General and Debt Service Funds Expenditures by Function
(Non-GAAP Budgetary Basis)
Last Ten Fiscal Years
(Unaudited)
(Amounts in thousands)

<u>Year</u>	<u>General government (1)</u>	<u>Public safety</u>	<u>Public works</u>	<u>Health and human services</u>
1995	\$ 121,827	135,702	62,396	12,946
1996	118,622	138,800	49,740	14,301
1997	142,853	155,604	56,139	15,124
1998	129,525	155,123	53,033	12,699
1999	132,020	154,573	57,312	12,865
2000	138,514	160,146	59,042	13,061
2001	163,305	150,555	59,514	12,282
2002	142,009	153,445	62,384	12,160
2003	153,742	159,323	63,973	12,587
2004	151,746	179,892	64,903	13,762

(1) General government expenditures include other financing uses and other, net.

Unaudited - See accompanying independent auditor's report.

Exhibit H-1

Culture and recreation	Urban development and housing	Debt service	Total
18,838	245	40,759	392,713
17,869	336	45,509	385,177
21,648	166	47,040	438,574
20,571	205	49,699	420,855
22,267	222	57,789	437,048
22,837	315	67,058	460,973
22,495	270	82,744	491,165
23,424	263	79,195	472,880
22,962	599	86,702	499,888
22,782	—	90,209	523,294

CITY OF NEW ORLEANS, LOUISIANA
 General and Debt Service Funds Revenues by Source
 (Non-GAAP Budgetary Basis)
 Last Ten Fiscal Years
 (Unaudited)
 (Amounts in thousands)

<u>Year</u>	<u>Taxes</u>	<u>Licenses and permits</u>	<u>Inter- governmental</u>	<u>Charges for services</u>	<u>Fines and forfeits</u>
1995	\$ 194,735	35,296	18,825	43,555	10,430
1996	199,355	34,639	17,038	41,778	10,498
1997	202,828	44,462	17,547	44,690	12,957
1998	214,612	55,166	18,407	43,170	11,514
1999	221,915	53,672	18,545	44,039	10,803
2000	232,872	57,020	15,353	42,604	12,575
2001	239,118	62,641	12,391	45,065	13,367
2002	244,105	56,616	12,498	51,541	13,940
2003	252,478	64,952	13,505	49,163	12,967
2004	262,619	64,190	14,959	52,378	17,802

(1) Other financing sources are included as miscellaneous revenues.

Unaudited - See accompanying independent auditor's report.

Exhibit H-2

<u>Interest income</u>	<u>Contributions, gifts, and donations</u>	<u>Miscellaneous (1)</u>	<u>Debt service</u>	<u>Total</u>
7,284	6,612	34,082	36,782	387,601
8,089	484	21,603	39,578	373,062
10,406	589	44,780	40,787	419,046
8,811	6,613	33,493	43,048	434,834
8,229	1,128	25,312	44,828	428,471
8,829	9,300	60,907	48,617	488,077
10,114	1,309	61,093	48,649	493,747
5,506	210	45,129	48,889	478,434
4,453	19,426	27,898	50,718	495,560
3,452	12,857	64,266	57,486	550,009

CITY OF NEW ORLEANS, LOUISIANA
General and Debt Service Funds Expenditures by Function
(GAAP Basis)
Last Ten Fiscal Years
(Unaudited)
(Amounts in thousands)

Year	General government (1)	Public safety	Public works	Health and human services	Culture and recreation
1995	\$ 101,508	135,374	55,686	12,570	18,714
1996	103,316	138,257	52,848	14,682	17,824
1997	122,846	157,019	59,333	15,074	21,850
1998	131,544	154,299	53,744	12,414	20,381
1999	129,653	155,136	54,645	12,877	22,213
2000	160,266	160,516	63,081	13,280	22,975
2001	136,539	150,834	59,862	12,117	22,397
2002	139,336	150,055	64,500	12,248	23,493
2003	155,175	159,225	63,017	12,613	22,859
2004	146,070	180,452	67,883	13,707	22,846

(1) General government expenditures include other financing uses and other, net.

Unaudited - See accompanying independent auditor's report.

Exhibit H-3

Urban development and housing	Debt service	Total
223	40,759	364,834
358	45,509	372,794
166	47,040	423,328
176	49,699	422,257
239	57,789	432,552
326	67,058	487,502
271	83,111	465,131
262	79,195	469,089
92	86,230	499,211
469	97,414	528,841

CITY OF NEW ORLEANS, LOUISIANA
General and Debt Service Funds Revenues by Source
(GAAP Basis)
Last Ten Fiscal Years
(Unaudited)
(Amounts in thousands)

<u>Year</u>	<u>Taxes</u>	<u>Licenses and permits</u>	<u>Inter- governmental</u>	<u>Charges for services</u>	<u>Fines and forfeits</u>
1995	\$ 195,076	35,296	18,572	43,555	10,430
1996	199,417	34,639	17,590	41,778	10,498
1997	203,088	44,462	16,927	44,717	12,957
1998	212,721	55,166	18,514	43,174	11,515
1999	221,915	53,672	18,548	44,039	10,803
2000	232,872	57,021	15,353	42,604	12,575
2001	239,739	62,540	12,391	44,983	13,367
2002	243,673	56,616	12,498	52,204	13,940
2003	253,033	64,959	13,505	49,163	12,967
2004	264,807	64,190	14,989	52,378	—

(1) Other financing sources are included as miscellaneous revenues.

Unaudited - See accompanying independent auditor's report.

Exhibit H-4

<u>Interest income</u>	<u>Contributions, gifts, and donations</u>	<u>Miscellaneous (1)</u>	<u>Debt service</u>	<u>Total</u>
7,284	6,612	20,208	36,782	373,815
8,067	484	22,916	39,578	374,967
10,406	588	23,710	40,787	397,642
8,811	6,614	27,451	43,048	427,014
8,229	1,128	24,102	44,828	427,264
8,829	9,300	58,501	48,617	485,672
10,114	1,309	25,278	48,649	458,370
5,506	210	34,448	46,604	465,699
4,454	19,426	25,789	50,718	494,014
17,802	3,452	33,999	57,587	509,204

CITY OF NEW ORLEANS, LOUISIANA

Property Tax Levies and Collections

Last Ten Fiscal Years
(Unaudited)

(Amounts in thousands)

Fiscal Year	Total levied	Collected through December 31, 2004		Balance outstanding at December 31, 2004		Collected during 2004 Amount
		Amount	Percent	Amount	Percent	
Real estate taxes:						
1995	\$ 145,005	143,115	98.70 %	\$ 1,890	1.30 %	\$ 171
1996	155,297	153,369	98.76	1,928	1.24	287
1997	157,517	155,328	98.61	2,189	1.39	281
1998	163,715	160,977	98.33	2,738	1.67	291
1999	172,016	169,690	98.65	2,326	1.35	435
2000	199,666	196,503	98.42	3,163	1.58	873
2001	209,441	205,953	98.33	3,488	1.67	489
2002	214,088	209,941	98.06	4,147	1.94	1,680
2003	217,039	212,277	97.81	4,762	2.19	6,343
2004	247,328	231,442	93.58	15,886	6.42	231,442
Personal property taxes:						
1995	79,258	75,418	95.16	3,840	4.84	—
1996	85,470	78,381	91.71	7,089	8.29	52
1997	88,126	83,482	94.73	4,644	5.27	33
1998	94,777	88,620	93.50	6,157	6.50	33
1999	98,467	93,293	94.75	5,174	5.25	71
2000	105,951	99,389	93.81	6,562	6.19	565
2001	110,058	100,039	90.90	10,019	9.10	957
2002	105,378	95,868	90.98	9,510	9.02	1,955
2003	110,691	102,545	92.64	8,146	7.36	3,143
2004	115,676	106,473	92.04	9,203	7.96	106,473

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)
 (Amounts in thousands)

Fiscal	Real property		Personal property		Total		Assessed to estimated actual value
	Net assessed value(1)	Estimated actual value	Net assessed value	Estimated actual value	Net assessed value	Estimated actual value	
1995	\$ 885,899	7,593,398	467,699	3,117,993	1,353,598	10,711,391	12.6
1996	948,777	8,132,351	533,300	3,555,333	1,482,077	11,687,684	12.7
1997	960,554	8,233,296	548,893	3,659,287	1,509,447	11,892,583	12.7
1998	977,783	8,380,973	578,256	3,855,040	1,556,039	12,236,013	12.7
1999	1,013,240	8,684,889	592,741	3,951,607	1,605,981	12,636,496	12.7
2000	1,159,821	9,941,294	628,860	4,192,400	1,788,681	14,133,694	12.7
2001	1,214,098	10,406,525	651,744	4,344,960	1,865,842	14,751,485	12.6
2002	1,231,764	10,557,947	619,368	4,129,120	1,851,132	14,687,067	12.6
2003	1,248,743	10,703,481	650,595	4,337,300	1,899,338	15,040,781	12.6
2004	1,423,261	12,199,345	679,826	4,532,173	2,103,087	16,731,518	12.6

(1) Amounts are net of the homestead exemption.

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA
Property Tax Rates -- Direct and Overlapping Governments

Last Ten Fiscal Years
(Unaudited)
(Number of Mills)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Direct property tax rates:										
City alimony, Sec. 15, Act 4 of 1916; Art. XIV, Sec. 24 Const. 1921 Act 151 of 1962	\$ 14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91
Interest and redemption city bond, Sec. 15, Act 4 of 1916 (Amended Act 575 of 1966)	28.40	28.40	26.90	26.90	26.90	26.90	26.90	26.90	26.90	26.90
Special tax for sewerage, water and drainage, Act 197 of 1938 and Act 626 of 1960, Art. XIV, Sec. 23.1, 23.4-23.12 Const. 1921	—	—	—	—	—	—	—	—	—	—
Special tax for maintenance, operations and extension of the drainage system, Act 565 of 1966, Art. XIV, Sec. 23.2 Const. 1921 and Art. VI, Sec. 22.36 and 32 Const. 1974.1 and Art. VII, Sec. 23, 1974 Const. L.S.A. R.S. 47:1705 (B)	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59
Special tax for establishing and maintaining a zoological garden in Audubon Park, Art. X, Sec. 10 and Sec. 801 of Title 39 Louisiana Const. 1972 approved by voters in a referendum November 1972	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Special dedicated tax to operate the Public Library Act VII, Part II Sec. 23 of Louisiana Const. 1974, L.S.A. R.S. 47:1705(B) approved by voters in November 1986	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32
Special tax dedicated to maintenance of double platoon Fire Department and triple platoon Police Department, Act 7 of 1920 Art. XIV, Sec. 25, Const. 1921	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27
Special tax (additional) for increase in pay to officers and members of Police and Fire Department, Act 260 of 1928, Art. XIV, Sec. 25, Const. 1921	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13
Special tax to establish and maintain an aquarium by the Audubon Commission Act. VII, Part II Sec. 23, of La. Const. 1974, L.S.A. R-5, 47:1705 (B) approved by the voters in November 1986	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11
Special tax, Police without Homestead Exemption: Police protection, Act 1103 of 1990; Art. VII, Sec. 23	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.26
Special tax, Fire without Homestead Exemption: Additional millages for fire protection, Act 1103 of 1990; Art. VII, Sec. 23	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21
Special tax, Neighborhood Housing Improvement	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Capital Improvements & Infrastructure Trust Fund	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Special tax, New Orleans Economic Development Fund	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Special tax, Parkways and Park and Recreation Department	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Special tax, Street and Traffic Control Device Maintenance	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90
Total direct property tax rates	101.54	101.54	100.04	100.04	100.04	100.04	100.04	100.04	100.04	100.04

CITY OF NEW ORLEANS, LOUISIANA
Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years
(Unaudited)

(Number of Mills)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Overlapping Property Tax Rates:										
Special tax to provide funds for Board of funds for Board of Assessors according to Sec. 1925.1, 1925.2A title 47 La. revised statute Act 450. 1986	\$ 1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19
Special tax, Orleans Parish Levee Board, for support, maintenance and construction of levees and levee drainage as authorized by Act 6. Sec. 39. Const. 1974	6.21	5.46	5.46	5.46	5.46	5.46	5.85	5.85	5.85	5.85
Special tax, Orleans Parish Levee Board for support, maintenance and construction of levees and levee drainage Art. XVI, Sec. 2 Const. 1921 amended, ratified Art. 6, Sec. 31 of the 1974 Const	6.55	6.55	6.55	6.55	6.55	6.55	6.16	6.16	6.16	6.16
Special tax for Orleans Parish School Board, for support, maintenance and construction of Public Schools of the City of New Orleans as levied by said Board annually. Act 51 of 1920, Art. XII, Sec. 16 Const. 1921 Act 264 of 1926, Act 751 of 1964	52.80	52.83	52.98	53.05	52.70	51.10	48.80	45.40	45.10	45.10
Special tax, Law Enforcement District of Orleans Parish. LRS 33:90001-9010	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total overlapping property tax rates	<u>69.75</u>	<u>69.03</u>	<u>69.18</u>	<u>69.25</u>	<u>68.90</u>	<u>67.30</u>	<u>65.00</u>	<u>61.60</u>	<u>61.30</u>	<u>61.30</u>
Total	<u>\$ 171.29</u>	<u>170.57</u>	<u>169.22</u>	<u>169.29</u>	<u>168.94</u>	<u>167.34</u>	<u>165.04</u>	<u>161.64</u>	<u>161.34</u>	<u>161.34</u>

Note: The above taxes are collected on the basis of 100% of valuation.

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA

Computation of Legal Debt Margin

December 31, 2004

(Unaudited)

(Amounts in thousands)

Assessed value	2,500,874
Debt limitation – 35% of total assessed value*	\$ 875,305
Amount of debt applicable to debt limitation:**	
General obligation bonds***	499,852
Limited tax bonds	3,840
	<u>503,692</u>
Less assets in debt service fund available for retirement of general obligation bonds	<u>33,062</u>
Total amount of debt applicable to debt limit	<u>470,630</u>
Legal debt margin	<u>\$ 404,675</u>

* Per Act 4 of 1916 of the Legislature of the State of Louisiana, as amended by Act 576 of 1966, as amended by Act 420 of 1978, as amended by Act 159 of 1984, as amended by Act 1 of 1994.

** Excludes revenue bonds

*** Excludes the effects of accretion on deep discount bonds

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA
 Ratio of General Obligation Bonded Debt
 to Assessed Value and Bonded Debt Per Capita
 Last Ten Fiscal Years
 (Unaudited)
 (Amounts in thousands)

Fiscal year	Population*	Assessed value real estate and personal property	General obligation bonded debt	Ratio of bonded debt to assessed value	Bonded debt per capita (1)
1995	497	\$ 1,784,739	432,261	24.22	870
1996	497	1,914,889	414,711	21.66	834
1997	497	1,969,443	448,081	22.75	901
1998	497	1,969,443	474,421	24.09	955
1999	497	2,212,297	485,156	21.93	976
2000	485	2,173,287	464,176	21.36	957
2001	485	2,251,699	464,495	20.63	958
2002	485	2,251,699	473,386	21.02	976
2003	485	2,291,227	485,986	21.21	1,003
2004	485	2,500,874	499,852	19.99	1,031

*Per 1990 and 2000 U.S. Census.

(1) Bonded debt per capita not in thousands.

Note: Bonded debt does not include the effects of accretion on deep discount bonds.

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA

Ratio of Annual Debt Service Expenditures for
Total Debt to Total General Expenditures
(Non-GAAP Budgetary Basis)Last Ten Fiscal Years
(Unaudited)

(Amounts in thousands)

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>	<u>Total general expenditures (1)</u>	<u>Ratio of debt service to total general expenditures</u>
1995	\$ 11,538	17,307	28,845	392,713	7.35
1996	17,550	20,718	38,268	385,177	9.94
1997	17,870	21,600	39,470	438,574	9.00
1998	17,245	23,077	40,322	420,855	9.58
1999	30,185	27,604	57,789	437,048	13.22
2000	38,787	28,271	67,058	460,973	14.55
2001	46,155	36,589	82,744	491,165	16.85
2002	38,515	40,680	79,195	472,880	16.75
2003	42,784	44,039	86,823	499,888	17.37
2004	39,455	50,754	90,209	523,294	17.24

(1) Includes general and debt service funds only.

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA

Computation of Direct and Overlapping Debt

December 31, 2004

(Unaudited)

(Amounts in thousands)

	<u>Bonded debt</u>	<u>Percentage overlapping</u>	<u>Overlapping debt</u>
City of New Orleans:			
General obligation, limited tax, and revenue bonds	\$ 658,452	100%	658,452
Sewerage and Water Board	416,200	100%	416,200
Audubon Commission	51,308	100%	51,308
Total direct City debt	<u>1,125,960</u>		<u>1,125,960</u>
Overlapping debt:			
Orleans Parish School Board (1)	256,385	100%	256,385
Orleans Levee District (1)	74,345	100%	74,345
Total overlapping debt	<u>330,730</u>		<u>330,730</u>
Total direct and overlapping debt	<u>\$ 1,456,690</u>		<u>1,456,690</u>

- (1) The fiscal year of the Orleans Parish School Board and Orleans Levee District ends on June 30th. Overlapping debt is based on June 30, 2004 financial information.

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA

Property Value and Construction

Last Ten Fiscal Years
(Unaudited)

(Amounts in thousands)

	Property value			Construction			
	Real estate	Personal	Total	Residential		Nonresidential	
				Permits	Valuation	Permits	Valuation
1995	\$ 7,593,398	3,117,993	10,711,391	2,595	105,590	604	39,063
1996	8,132,351	3,555,333	11,687,684	2,163	79,469	365	175,218
1997	8,233,296	3,659,287	11,892,583	2,131	62,761	1,501	123,250
1998	8,380,973	3,855,040	12,236,013	1,962	104,227	339	146,053
1999	8,684,889	3,951,607	12,636,496	2,089	122,342	531	161,068
2000	9,941,294	4,192,400	14,133,694	2,223	136,686	531	110,446
2001	10,406,525	4,344,960	14,751,485	2,170	111,804	556	153,741
2002	10,557,947	4,129,120	14,687,067	2,371	133,259	454	170,758
2003	10,703,481	4,337,300	15,040,781	2,902	153,649	586	135,973
2004	12,199,345	4,532,173	16,731,518	2,576	167,353	*	*

Source: Department of Safety and Permits.

Unaudited - See accompanying independent auditor's report.

* No longer included in new report format of the Department of Safety and Permit

Exhibit H-12

Commercial		Industrial	
Permits	Valuation	Permits	Valuation
627	219,679	47	22,548
160	28,921	8	846
900	97,325	18	1,163
184	49,028	2	11,796
294	78,293	3	184
325	135,665	9	2,551
333	52,103	5	936
305	76,057	8	1,518
304	66,458	2	126
1,397	354,716	*	*

CITY OF NEW ORLEANS, LOUISIANA

Principal Taxpayers

December 31, 2004
(Unaudited)

(Amounts in thousands)

<u>Name of taxpayer</u>	<u>Type of business</u>	<u>2004 Assessed value</u>	<u>Percentage of total assessed value</u>
Entergy Services	Electric and gas utilities	\$ 74,583	3.72%
BellSouth Telecommunications	Telephone utilities	59,469	2.96
Hibernia National Bank	Financial institution	44,932	2.24
Banc One	Financial institution	29,825	1.49
Whitney National Bank	Financial institution	26,700	1.33
Harrah's Entertainment	Hospitality and gaming	25,780	1.29
Tenet	Managed Care	20,135	1.00
International River Center	Real Estate	19,196	0.96
Marriott Hotel Properties	Hospitality	14,141	0.96
CS&M Association	Real Estate	11,246	0.56
		<u>\$ 326,007</u>	<u>16.51%</u>

Unaudited - See accompanying independent auditor's report.

CITY OF NEW ORLEANS, LOUISIANA

Demographical and Miscellaneous Statistics
(Unaudited)

Location:

Southeastern Louisiana between Lake Pontchartrain and the Mississippi River

Size:

363.5 square miles, with 199.4 square miles (54%) of land

Population:

484,674 (2000 U.S. Census)

Climate:

Average winter temperature (October – March) 59.8 degrees; average summer temperature (April – September) 77.4 degrees; annual average humidity – 63%; annual average rainfall – 53.9 inches

Public Safety:

Department of Police:

Police districts – 8

Budgeted positions – 2,167

Department of Fire:

Fire districts – 6

Budgeted positions – 686

Public Works:

Developed expressways	33	miles
Paved roadways with curbs, gutters and subsurface drainage	1,063	miles
Asphalt center strip roadways with some related subsurface drainage	359	miles
Temporary surfaces, roadways	273	miles
Unopened or undeveloped streets	29	miles
Total	1,757	miles

Budgeted positions – 312

Recreation:

City of New Orleans Recreation Centers	10
Stadiums	7
Pools:	
Outdoor	16
Indoor	3
Tennis court locations	10
Playgrounds	113
Other unique sites (cultural activities)	6
Acreage	560
Associated agencies' acreage	4,691
Municipal golf courses	4
Budgeted positions	219

Source: City Records.

Unaudited - See accompanying independent auditor's report.



KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and Members of
City Council of the City of New Orleans, Louisiana:

We have audited the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2005, which included a reference to other auditors for certain blended and discretely presented component units and the pension funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Employees' Retirement System of the City of New Orleans were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of New Orleans in a separate letter dated June 29, 2005.

This report is intended solely for the information and use of the City Council, management, the Legislative Auditor of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

KPMG LLP

June 29, 2005



KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

June 29, 2005

The City Council
City of New Orleans
New Orleans, Louisiana 70139

Members of the Council:

We have audited the financial statements of the City of New Orleans (the City) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 29, 2005. In planning and performing our audit of the financial statements of the City, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows.

The comments denoted with an "*" are repeat findings that were identified during our audit of the City as of and for the year ended December 31, 2003, but due to the timing of the completion of our audit, the City was not able to implement the recommendations during the year ended December 31, 2004.

Cash Reconciliations *

Observation

The City does not perform timely bank reconciliations including proper review of the reconciliation.

Recommendation

The City should consider reconciling all of the bank statements to the general ledger on a monthly basis. These reconciliations should be reviewed by a supervisor for completeness and accuracy.

Benefit

Reconciling all of the bank statements timely to the general ledger daily will strengthen controls over cash balances.

Response

The City made changes in 2004 that allowed for the monthly reconciliation of the majority of its bank accounts, i.e. moving the reconciliation function from the Bureau of Treasury to the Bureau of Accounting. We are anticipating being able to have all accounts reconcile monthly. This should be accomplished systematically with the completion of our new financial system.

Cash Controls

Observation

The City does not properly maintain a listing of all bank accounts held under the City.

Recommendation

The City should maintain a complete listing of bank accounts held under the City. The listing should be updated regularly to identify closed accounts and the status of any funds that remain.

Benefit

By maintaining a proper listing, the City can monitor the accounts for which it is responsible.

Response

The City will keep current a listing of all bank accounts.

Investment Policy *

Observation

The policy states the Investment Committee must meet periodically, but at least annually, to discuss the portfolio. KPMG noted that the Committee met during the month of February 2004 but the minutes did not discuss the portfolio.

Recommendation

The City should meet periodically, and at least annually, to discuss and review the portfolio and document their review through minutes of the meeting.

Benefit

By overseeing the investment portfolio, the Committee will be able to plan for future investments, perform accurate management review of the investments, and ensure the investments are within policy guidelines.

Response

The Investment Committee has met as required to discuss the investment portfolio. The City will keep minutes of these meeting for audit review.

Investment Operations *

Observation

There is a lack of segregation of duties over investments. A single employee oversees investment transactions and does not require prior authorization for transactions.

Recommendation

The City should establish an approval process for the investment transaction and also implement the Investment Committee meetings policy to review the portfolio.

Benefit

By implementing a segregation of duties, the City will safeguard the City's investments and will ensure proper authorization of transactions.

Response

The Investment Committee currently reviews the Investment Portfolio; however, we will insure dual signatures on all investment activities.

Wire Transfers *

Observation

Wire transfers are conducted using Bank One, Hibernia, and Liberty banks. Two employees have access to make wire transfers; however, they are primarily made by one individual. The majority of the transfers are made through Bank One and are completed online requiring five different security levels. The Bank One online wire transfer process also allows for three separate approval levels; however, the City's process only requires one level. Therefore, these two employees are individually eligible to serve as all three levels of approval. Wire transfers with Bank One initiated over the phone or through a fax require two separate approvals. Hibernia's online wire transfer process does not include the option of separate approval levels, and transfers through Liberty Bank are initiated with a fax from a single employee with the wiring instructions. Only one signature is required on the fax.

Recommendation

The City should work with the banks to establish separate levels of approval in order to initiate a wire transfer. For example, Liberty Bank should require two signatures on the faxed wire transfer request and Bank One should require a minimum of two separate individuals to approve their online wire transfer request.

The City employee's responsible for wire transfers should also complete a log with all the details of the transaction (date, payee, bank account, amount, etc.) at the moment the transaction is initiated. A copy of the bank's confirmation copy of the wire transfer/draft should be kept by a designated clerk and recorded in the control log before routing it to the respective recipients. The control log should be compared by the clerk at month-end to the bank statement and the general ledger for the proper recording of all wire transfers and drafts.

Benefit

Effective controls reduce the risk of unauthorized transactions. Additionally, wire transfers and drafts can be accounted for timely and accurately and the potential for duplicate issuance of a wire transfer or draft will be reduced.

Response

The City will work with each bank to insure they require dual signatures on all wire transfers.

Workers Compensation Reserve *

Observation

The Workers Compensation Reserve estimate is based upon the open case reserve as determined by the third party administrator. These reserves are not based on actuarially determined factors and historical experience.

Recommendation

KPMG recommends that an independent actuarial analysis be performed.

Benefit

An independent analysis will assist in obtaining a more accurate indication of the outstanding liabilities.

Response

The third party administrator currently reserves cases based on estimated exposure. The Risk Management Department will request the third party administrator to hire an actuary to perform this review.

Landfill Liability *

Observation

A formal study of the estimated liability for landfill closing costs has not been performed since 1995.

Recommendation

The City should consider completing a formal study to assist in estimating the future City's liability.

Benefit

An updated study will assist in more accurately recording the liability.

Response

A firm will be hired to perform site investigations to give the Department of Sanitation an estimate of future liabilities for the post closure care of the landfill.

Payment of Claims

Observation

KPMG notes through testing of controls over general liability claims that three signatures are required for a claim to be paid. Through testwork, KPMG noted some claims did not have all of the proper approvals.

Recommendation

General liability claims should be approved by all three levels before being paid. Also, the accounts payable clerk in charge of processing the actual payment should double check for the proper signatures before processing the claim payment.

Benefit

Confirming that the claims have the appropriate signatures before actually paying them will ensure that only properly approved and authorized claims are paid.

Response

We will review the auditor's observation in more detail and put the appropriate procedures in place. Three signatures are required only for sundry claims, not all general liability claims.

System Access Approval

Observation

Evidence of approval, prior to granting access to the financial and HR systems, was not provided for some users.

Recommendation

The proper approval should be obtained prior to granting access to the financial and HR systems.

Benefit

Proper approvals over system access will help ensure that unauthorized users do not gain access to the systems and will reduce the risk of fraudulent activity.

Response

MIS does have a system in place to insure the appropriate signatures are obtained before anyone is given access to the mainframe as well as the financial and HR systems. All requests are sent to MIS and approved by the Director before being handled. Safeguards will be taken to make sure the paperwork is logged and filed to insure that the documentation for all requests can be located.

Budget Access

Observation

KPMG identified user accounts where employees have access to change budgets in the AFIN application, but they do not need to have such access.

Recommendation

The City should determine which users have access to change budgets in the AFIN application and remove access from those users who do not require it. Management should implement a process to review access periodically.

Benefit

Better controls over access to the AFIN application will reduce the risk of inappropriate activities.

Response

The only personnel that should have access to the Budget transactions in AFIN are those members approved by the CAO and the Budget Administrator. MIS will conduct an audit of this access and take the appropriate action.

Analysis of Allowance for Bad Debts *

Observation

The City currently records as receivables those amounts that have been collected within 60 days of year-end. Generally accepted accounting principles require that all receivables be recorded at the time of levy and any amounts deemed uncollectible should be reported as an allowance for bad debts. The City does not have a formal process for reviewing and analyzing its receivable for collectibility.

Recommendation

The City should prepare an annual analysis of tax receivables that are deemed to be uncollectible.

Benefit

The analysis would provide for accurate reporting of receivables under generally accepted accounting principles.

Response

In 2005, the City will provide an analysis of tax receivables and estimated bad debt amounts.

Maintenance of a Fixed Asset Database *

Observation

The City's system for maintaining the fixed assets does not accurately reflect the assets owned and in service. The City is required to download the fixed asset details into a spreadsheet to accurately reflect the changes in the annual financial report. This allows for errors due to inherent risk with utilizing spreadsheets to maintain reporting.

Recommendation

The City should consider updating its fixed asset system to allow for integration with the accounting system. In addition, the fixed asset detail should be reconciled monthly to the accounting system to ensure completeness of the assets owned.

Benefit

The monthly reconciliation would assist the City in ensuring that all assets are maintained and that all additions and deletions are reported timely.

Response

A plan will be developed to ensure timely integration on the fixed asset system to the new financial system.

Classification of Expenses

Observation

KPMG noted that the City currently classifies expenses related to Entergy Advisory Services in the General Fund. The expenditures are recorded at the point in which the contract has been entered and thus encumbered. The City does not recognize revenues related to these expenses until the service has been provided and are considered reimbursable. This results in revenues and expenditures being reported in different reporting periods.

Recommendation

The City should consider recording these expenses and revenues in a separate special revenue fund.

Benefit

By recording these expenses in a special revenue fund, the City will avoid understating the General Fund fund balance.

Response

The administration will propose an ordinance to the City Council to approve setting up a separate fund to administer expenses related to the Entergy Advisory Service.

Record keeping in Accordance with Governmental Accounting Standards Board Statement No. 34

Observation

The City has made efforts to improve the transition process to be in compliance with financial reporting under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, but still needs to enhance the reporting process through the use of the new accounting system.

Recommendation

The City should continue to make improvements to the reporting process through the use of the new accounting system. Improvements should be made in the areas of consistent general ledger accounts between funds, template reports for recurring reports, and separate funds for special reports.

Benefit

Improvements to the reporting process will provide for a more efficient means of transitioning to GASB No. 34 and more accurate and timely reporting.

The City Council
City of New Orleans
June 29, 2005
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Response

With the implementation of the new financial system, financial reports will be system-generated in the GASB No. 34 format.

* * * * *

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

We take this opportunity to express our appreciation for the courtesy and cooperation extended to us by members of the City's management team and accounting staff during the course of our audit.

This report is intended solely for the information and use of the members of the Council, management, the Louisiana Legislative Auditor, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

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CITY OF NEW ORLEANS

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CITY OF NEW ORLEANS
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Member
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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

We have audited the Schedule of Expenditures of Federal Awards of the City of New Orleans for the year ended December 31, 2004. The Schedule of Expenditures of Federal Awards is the responsibility of the management of the City of New Orleans. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit. The accompanying Schedule of Expenditures of Federal Awards is not a part of the City of New Orleans' financial statements for the year ended December 31, 2004. The financial statements of the City of New Orleans were audited by other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of Federal Awards. We believe that our audit provides a reasonable basis for our opinion.

**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)**

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

Page 2

In our opinion, the Schedule of Expenditures of Federal Awards of the City of New Orleans presents fairly, in all material respects, the expenditures of federal awards of all federal programs for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As further discussed in Notes 4, 5 and 9, the City of New Orleans has been cited by federal agencies for ineligible and disallowed costs and has failed to comply with certain contractual and programmatic requirements with regard to its federal awards programs during the year ended December 31, 2004 and in previous years. The determination of whether the identified instances of noncompliance will ultimately result in the remittance of ineligible and disallowed costs cannot be presently determined.

In accordance with Government Auditing Standards, we have also issued a report dated June 3, 2005 on our consideration of the City of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 3, 2005



**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Agriculture</u>	10.001	-----	\$ <u>165,708</u>
<u>Direct Awards</u>			
Agricultural Research -			
Basic and Applied Research			
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
Department of Social Services			
Special Supplemental Nutrition Program for	10.557	CFMS602562	620,706
Women, Infants and Children -			
Administrative Costs			
Special Supplemental Nutrition Program for	10.557	CFMS602562	8,935,418
Women, Infants and Children -			
Food Issuance (NOTE 13)			
<u>Through: Associated Catholic Charities</u>			
Commodity Supplemental Food Program	10.565	CSFP2003/2004/2005	231,429
<u>Through: Louisiana Department of Agriculture</u>			
and Forestry			
Urban Forestry Grant	10.677	02-23PF	<u>7,930</u>
<u>Sub-total - Awards from a</u>			
<u>Pass-Through Entity</u>			<u>9,795,483</u>
Total U. S. Department of Agriculture			<u>9,961,191</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
U. S. Department of Commerce Awards from a Pass-Through Entity Through: State of Louisiana's Department of Natural Resources Coastal Zone Management Administration	11.419	2503-02-05/ 2503-05-07/ NAO4N0S41900	48,019
<i>Sub-total-Awards from a Pass-Through Entity</i>			<u>48,019</u>
Total U. S. Department of Commerce			<u>48,019</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Housing and Urban Development</u>			
<u>Direct Awards</u>			
Urban Development Action Grants- Cumulative Program Income	14.221	-----	\$ 40,000
Urban Development Action Grants- Grantee Loans (NOTE 6)	14.221	-----	13,863,209
Community Development Block Grant- Special Purpose Grants	14.227	-----	353,836
Emergency Shelter Grants Program	14.231	-----	803,728
Shelter Plus Care	14.238	-----	336,947
Home Investment Partnerships Program	14.239	-----	5,089,322
Housing Opportunities for Persons with AIDS	14.241	-----	2,209,836
Brownsfield Economic Development Initiative- Grantee Loan (NOTE 8)	14.246	-----	500,000
Community Development Block Grant- Section 108 Loan Guarantee (NOTE 7)	14.248	-----	41,224,988
Community Development Block Grant - Section 108 Loan Guarantee-Program Income	14.248	-----	1,183,178
Lead-Based Paint Hazard Control	14.900	-----	<u>113,622</u>
<i>Sub-total - Direct Awards</i>			<u>65,718,666</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Housing and Urban Development, Continued</u> <u>CDBG-Entitlement and Small Cities Cluster</u> <u>Direct Awards</u>			
Community Development Block Grants	14.218	-----	\$17,963,176
<u>Awards from a Pass-Through Entity</u> <u>Through: State of Louisiana's</u> <u>Department of Social Service</u> <u>Emergency Shelter Grant</u>	14.231	CFMS 610763/ 584063/598087	238,566
<i>Sub-total - Awards from a Pass-Through Entity</i>			<u>238,566</u>
Total U. S. Department of Housing and Urban Development			83,920,408

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Interior</u>			
<u>Direct Awards</u>			
Migratory Bird Banding and Data Analysis	15.976	-----	\$ 2,370
Urban Park and Recreation Recovery	15.919	-----	<u>271,802</u>
Total U. S. Department of Interior			
<u>U. S. Department of Justice</u>			
<u>Direct Awards</u>			
Crime Lab Improvement Program	16.564	-----	(2)
Executive Office of Weed and Seed Plan	16.595	-----	542,117
Comprehensive Domestic Violence Program	16.588	-----	412,381
Local Law Enforcement Block Grant Program	16.592	-----	1,311,151
Public Safety Partnership and Community Policing	16.710	-----	1,004,360
High Intensity Drug Trafficking	12PGCP567	-----	49,973
Weapons of Mass Destruction	2000-TE-CX-0139	-----	27,469
Corruption Task Force	2003-DD-DX-0375	-----	<u>286,455</u>
<i>Sub-total - Direct Awards</i>			
			<u>3,633,904</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
U. S. Department of Justice, Continued			
<i>Awards from a Pass-Through Entity</i>			
Through: Louisiana State University			
Operation Scarecrow	N/A	03-166-S4	\$ 69,555
Cold Case Homicide Task Force	N/A	03-461-S1	63,549
Through: State of Louisiana's Commission on Law Enforcement			
Juvenile Accountability Incentive Block Grants	16.523	A98-8-010/035	301,068
Electronic Equipment	N/A	P03-9-001/002	14,214
Juvenile Justice and Delinquency Prevention	16.540	J02-9-001/J01-9-ADM	80,490
Crime Victim Assistance	16.575	C01-9-ADM/ C00-9-ADM	11,376
Byrne Formula Grant Program	16.579	B00-9-ADM/ B01-9-ADM B01-9-002/B01-9-001 B02-9-004/B02-9-003 B01-9-009/B02-9-002 B02-9-001	807,081
Mentoring Program	16.548	W00-9-001/002/W01-9-001	79,580
Forensic Science Improvement Act	N/A	G03-8-006	<u>5,622</u>
<i>Sub-total - Awards from a Pass-Through Entity</i>			<u>1,432,535</u>
Total U. S. Department of Justice			<u>5,066,439</u>

See the Notes to the Schedule of Expenditures of Federal Awards.

(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Labor</u>			
<u>Direct Awards</u>			
Welfare to Work to State and Localities	17.253	-----	\$ <u>6,400</u>
<u>Sub-total-Direct Awards</u>			<u>6,400</u>
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's Department of Labor</u>			
Workforce Investment Act-Adult	17.258	AA-10250-00-50	3,053,131
Workforce Investment Act-Youth	17.259	AA-10250-00-50	1,824,395
Workforce Investment Act-Dislocated Worker	17.260	AA-10250-00-50	2,996,561
Workforce Investment Act-Job Readiness	N/A	LW1A121ST04	<u>394,314</u>
<u>Sub-total-Awards from a Pass-Through Entity</u>			<u>8,268,401</u>
Total U. S. Department of Labor			<u>8,274,801</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Transportation</u>			
<u>Direct Awards</u>			
Airport Improvement Program-			
New Orleans Aviation Board	20.106	-----	\$ <u>3,995,369</u>
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
<u>Department of Transportation</u>			
Highway Planning and Construction	20.205	0012/0014/0103/0004	1,550,205
Roadway Incident Management Patrol	N/A	NH105328233	44,635
<u>Through: State of Louisiana's</u>			
<u>Highway and Safety Commission</u>			
Safe and Sober	N/A	03-10-43	(4,071)
Red Light Enforcement	N/A	03-02-06	<u>52,237</u>
<u>Sub-total Awards from a</u>			
<u>Pass-Through Entity</u>			<u>1,643,006</u>
Total U. S. Department			
of Transportation			<u>5,638,375</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Treasury</u>			
<u>Direct Awards</u>			
Gang Resistance Education and Training	21.053	-----	\$ <u>(21,150)</u>
Total U. S. Department of Treasury			____ <u>(21,150)</u>
<u>Environmental Protection Agency</u>			
<u>Direct Awards</u>			
New Orleans Brownfields Project - Superfund State Site - Brownfield Cooperative Agreements	66.814	-----	____ <u>340,757</u>
Total Environmental Protection Agency			____ <u>340,757</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services</u>			
<u>Direct Awards</u>			
Health Center Grants for Homeless Population	93.151	-----	\$ 1,279,791
Community Prevention Coalitions (Partnership)	282-99-0023	-----	59,400
Medical Response	93.243	-----	347,022
Substance Abuse and Mental Health-Heroin Addiction			
Center for Disease Control and Prevention-Asthma,			
Diabetes and Obesity	93.283	-----	1,188,888
Healthy Start Initiative-Great Expectations Program	93.926	-----	<u>1,994,500</u>
			<u>4,869,601</u>
			<u>Sub-total - Direct Awards</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services, Continued</u>			
<u><i>HIV Emergency Relief Cluster</i></u>			
<u>Direct Awards</u>			
HIV Emergency Relief Project Grant-Ryan White Program	93.914	-----	<u>\$ 8,681,908</u>
<u><i>Sub-total - HIV Emergency Relief Cluster</i></u>			
<u>8,681,908</u>			
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's Departments of Health and Hospitals and Social Services</u>			
EPSDT Medical	N.A.	1410012	488,232
Preventive Health and Health Services Block Grant	93.991	CFMS575794	222,162
Temporary Assistance for Needy Families	93.558	CFMS591427/602540	742,686
Preventative Health Services	93.977	CFMS577443	96,910
Family Planning Services	93.217	CFMS605912/587053	48,465

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
U. S. Department of Health and Human Services, Continued			
<i>Awards from a Pass-Through Entity, Continued</i>			
Through: State of Louisiana's Departments of Health and Hospitals and Social Services, Continued			
Maternal and Child Health Services Block Grant	93.994	DHH016969/18032	\$ 134,683
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	CFMS588280/603932	136,332
Homeless Dental	N.A.	1880043	3,227
Through: Louisiana Housing Finance Agency			
Temporary Assistance for Needy Families	93.558	N/A	11,517
Through: National Black Women's Health Project, Inc.			
Preventive Health Services -			
STD Research, Demonstration Grant	93.978	U50/CCU217371-05	<u>22,397</u>
<i>Sub-total - Awards from a Pass- Through Entity</i>			<u>1,906,611</u>
Total U. S. Department of Health and Human Services			<u>15,458,120</u>

See the Notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Homeland Security</u>			
<u>Direct Awards</u>			
Fire Operation and Safety	97.018	-----	\$ 55,188
Emergency Food and Shelter	97.024	-----	4,043
Emergency Management	97.026	-----	145,573
Flood Mitigation Assistance	97.029	-----	<u>270,967</u>
			<u>475,771</u>
<u>Subtotal Direct Awards</u>			
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana Office of</u>			
Emergency Preparedness	97.008	2003-EU-T3-0025	1,303,080
Urban Areas Security Initiative	97.004	2003-TETX0163/	
State Homeland Security		2003-MUT30022/	
		2003-GET40004	602,255
Emergency Management-State and Local Assistance	97.051	1548 DR-LA	<u>1,140,088</u>
			<u>3,045,423</u>
<u>Subtotal-Awards from a Pass-Through Entity</u>			<u>3,521,194</u>
<u>Total U. S. Department of Homeland Security</u>			<u>\$132,482,326</u>
<u>Total Expenditures of Federal Awards- City of New Orleans</u>			

N.A.=Not Available.

See the Notes to the Schedule of Expenditures of Federal Awards.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - BACKGROUND:

The City of New Orleans (the City) was incorporated in 1805. The City's system of government is established by its Home Rule Charter which became effective in 1954. The City operates under a Mayor-Council form of government. The City provides the following types of services as authorized by its charter: public health and safety, streets, sanitation, water and sewerage, planning and zoning, recreation, and general administrative service. Education and welfare are administered by other governmental entities.

NOTE 2 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City that were received directly from Federal agencies or passed through other entities and governmental agencies.

The City has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. OMB Circular A-133 stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures for each federal awards program as identified in the Catalog of Federal Domestic Assistance and for other federal financial awards that have not been assigned a catalog number.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 3 - BASIS OF ACCOUNTING/PRESENTATION:

Grant expenditures in the Schedule of Expenditures of Federal Awards are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable. Vacation and sick leave are recognized when paid. Current grant expenditures include direct expenditures and expenditures of federal awards passed through from another governmental agency.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 4 - QUESTIONED COSTS:

The City of New Orleans and certain sub-recipients who received funds from the City have expended certain federal grant funds in a manner that may have violated certain restrictive provisions of the related grants. The related questioned cost amounts as reported in the current and prior Single Audit reports pertinent to such actions excluding audit findings that were no longer valid based upon the provisions of OMB Circular A-133 Section 315(b)(4) are as follows:

<u>Program Year</u>	<u>Amount</u>
<u>City of New Orleans</u>	
December 31, 1999 through	
December 31, 2003	\$10,069,385
December 31, 2004	<u>825,930</u>
Total	<u>\$10,895,315</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 4 - QUESTIONED COSTS, CONTINUED:

<u>Sub-Recipients</u> December 31, 1995 through December 31, 2004	<u>\$183,464</u>
Total	<u>\$183,464</u>

Also, as a result of sub-recipient monitoring performed by independent accountants during 2004, 2003 and 2002 questioned costs totaling approximately \$734,000 were noted. See page 89 for further details.

The ultimate resolution or determination as to whether the questioned costs will be allowable or unallowable under the affected grants will be made by the various funding sources and cannot be determined at this time. As such, management of the City is presently unable to determine a reasonable estimate of the possible federal claims for refunds of the noted grant funds. Accordingly, no provision or adjustment has been made to the Schedule of Expenditures of Federal Awards.

NOTE 5 - INELIGIBLE/DISALLOWED AND QUESTIONED COSTS:

As of the date of this report, funding sources have reviewed the operations and activities of certain programs and have rendered determinations as detailed in the status of other audits performed by Federal Auditors. Such ineligible/disallowed costs aggregated \$21,905,032 as of December 31, 2004. When required, the repayment of the ineligible/disallowed costs is funded from non-federal funds. However, the Schedule of Expenditures of Federal Awards has not been adjusted for any such repayments. See pages 69 through 79 for further details.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 6 - GRANTEE LOANS - UDAG:

The City has received certain grant awards from the United States Department of Housing and Urban Development (HUD) for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Fourteen (14) individual loans are outstanding at December 31, 2004, totaling \$13,863,209 which bear interest at rates ranging from zero percent-to-seven percent. These loans are receivable over a fifteen-to-thirty-year period and are recorded as deferred revenue at December 31, 2004. Once loan payments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities as specified in the grant agreement.

During the year ended December 31, 2000, the City utilized \$1,000,000 of UDAG program income to fund the American Can Project. Such funding was in the form of a loan which beared interest at 2% and matures in January 2040.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 7- HUD SECTION 108 LOANS:

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of Housing and Urban Development (HUD) as guarantor. The City received these loans in order to fund its commitments to Jazzland, American Can, Palace of the East, LLC and Louisiana Artist Guild. During the years prior to and as of December 31, 2004, \$25,300,000 was disbursed to Jazzland; \$5,000,000 was disbursed to the American Can Project; \$5,000,000 was disbursed to Palace of the East, L.L.C. (Grand Theater) and \$7,100,000 to Louisiana Artist Guild.

These loans consist of notes bearing interest at 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). Principal repayments totaling \$1,175,012 were received by the City of New Orleans through December 31, 2004. As of December 31, 2004, the entire remaining balance of \$41,224,988 is recorded as a receivable in the City of New Orleans' financial statements.

On February 28, 2002 Jazzland filed a Chapter 11 bankruptcy proceeding and as a result the City restructured the financing naming the New Orleans Industrial Development Board, who acquired certain assets of Jazzland, as the new obligator of the Jazzland loan. Pursuant to that agreement monthly rental payments of \$116,667 are received from the New Orleans Industrial Development Board and recognized as rental income by the City of New Orleans to defray the required debt service payments to HUD by the City of New Orleans.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 7 - HUD SECTION 108 LOANS, CONTINUED:

The requirements to amortize the remaining Section 108 loans are as follows:

<u>Jazzland Project</u>	<u>Interest</u>	<u>Principal</u>
2005	\$7,431,638	\$4,841,311
2006	1,496,179	1,391,574
2007	<u>1,048,640</u>	<u>18,142,633</u>
Sub-Total	<u>9,976,457</u>	<u>24,375,518</u>
 <u>American Can Project</u>		
2005	96,034	60,538
2006	94,108	97,460
2007	92,144	99,425
2008	90,141	101,428
2009	88,185	103,472
Thereafter	<u>1,454,948</u>	<u>4,340,009</u>
Sub-Total	<u>1,915,560</u>	<u>4,802,332</u>
 <u>Grand Theater Project</u>		
2005	293,525	420,000
2006	285,120	202,500
2007	275,483	212,500
2008	264,608	222,500
2009	252,545	232,500
Thereafter	<u>1,642,208</u>	<u>3,710,000</u>
Sub-Total	<u>3,013,489</u>	<u>5,000,000</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 7 - HUD SECTION 108 LOANS, CONTINUED:

<u>Louisiana Artist Guild</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 282,690	\$ 382,138
2006	302,941	216,000
2007	315,462	232,000
2008	325,507	248,000
2009	326,744	267,000
Thereafter	<u>2,738,415</u>	<u>5,702,000</u>
Sub-total	<u>4,291,759</u>	<u>7,047,138</u>
	<u>\$19,197,265</u>	<u>\$41,224,988</u>

NOTE 8 - BROWNSFIELD ECONOMIC DEVELOPMENT INITIATIVE GRANT:

During the year ended December 31, 2000, the City received a Brownsfield Economic Development Initiative (BEDI) grant in the amount of \$1,000,000 that was utilized to fund the City's American Can Renewal project. The City disbursed \$500,000 to the project in the form of a grant with the remaining amount of \$500,000 being required to be repaid at 2% interest. The loan matures in January, 2040. The requirements to amortize the BEDI loan are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 59,290	\$ 25,821
2006	9,412	9,746
2007	9,214	9,942
2008	9,014	10,143
2009	8,819	10,347
Thereafter	<u>145,495</u>	<u>434,001</u>
Total	<u>\$241,244</u>	<u>\$ 500,000</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 9 - CONTINGENCY:

The City of New Orleans is a recipient of numerous grants and awards of Federal funds. These grants and awards are governed by various Federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the control of the City of New Orleans and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

The audit of the federal award programs of the City of New Orleans for the year ended December 31, 2004 disclosed instances of non-compliance that may be material to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot presently be determined.

NOTE 10 - MAJOR FEDERAL AWARDS PROGRAMS:

The City of New Orleans' major federal awards programs for the year ended December 31, 2004, were determined based upon program activity. The City's Type A federal awards programs for the year ended December 31, 2004, were all federally assisted programs for which program activity was equal to or greater than \$2,038,761 during the year ended December 31, 2004. Additionally, one (1) Type B high risk programs with funds less than \$2,038,761 were substituted for one (1) Type A low risk program.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 11 - FEDERAL EXPENDITURES TO SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of New Orleans disbursed (cash basis) federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount disbursed To subrecipients</u>
Community Development		
Block Grants	14.218	\$ 4,262,072
Special Purpose Grants	14.227	437,566
Emergency Shelter Grant	14.231	1,023,933
Shelter Plus Care	14.238	257,878
Home Investment Partner- ship Program	14.239	4,781,281
Housing Opportunities for Persons with AIDS	14.241	2,022,168
Local Law Enforcement and Block Grant	16.592	980,203
Weed and Seed	16.595	156,260
Comprehensive Domestic Violence	16.588	324,122
Welfare-to-Work	17.253	96,947
Workforce Investment Act	17.258/259/ 260	5,092,530
Health Center Grants for Homeless Population	93.151	371,897
Temporary Assistance for Needy Families	93.558	783,427
HIV Emergency Relief Formula Grant	93.914	6,971,417
Healthy Start Initiative	93.926	<u>1,514,899</u>
Total		<u>\$29,076,600</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 12 - STATE GRANTS

The City of New Orleans receives non-federal funds from the State of Louisiana to perform certain public programs. Expenditures and adjustments to expenditures for the year ended December 31, 2004 are as follows

<u>State Grantor Agency/ Program Name</u>	<u>Contract Number</u>	<u>Expenditures and Adjustments</u>
<u>Louisiana Department of Health and Human Resources</u>		
Carver High Clinic	1415855	\$ 15,909
B.T.W. School Clinic	1946796	7,526
EMS Bioterrorism	N/A	46,320
Mobile Dental Care	1880051	129,464
EPSDT Dental	1880027/ 1880019/ 1880035	96,860
School Based Planning	608428	50,000
Carver Clinic	574498	115,527
B.T.W. Clinic	574502	59,023
Crisis Trauma Center	MH03-15-329 595180	128,257
Homeless Diabetes Education	576763	<u>11,809</u>
		<u>660,695</u>
<u>Louisiana Department of Culture, Recreation and Tourism</u>		
Library State Aid	n/a	103,785
Brechtel Park	22-00824	<u>63,210</u>
		<u>166,995</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004, CONTINUED

NOTE 12 - STATE GRANTS, CONTINUED

<u>State Grantor Agency/ Program Name</u>	<u>Contract Number</u>	<u>Expenditures and Adjustments</u>
<u>Facility Planning and Control</u>		
Behrman Stadium	FPC50ML	\$ 669,620
Algiers Stable Museum	ML3-98-13	358,579
Lincoln Beach Improvement	ML3-998-07	506,033
Larry Gilbert Stadium		<u>543,109</u>
		<u>2,077,341</u>
<u>Louisiana Department of Family Services</u>		
Hearing Office Program	355700134	<u>41,919</u>
<u>Louisiana Department of Transportation and Development</u>		
Earhart Corridor	742-07-26	3,673,507
Tchoupitoulas Street	742-07-62	<u>816,984</u>
		<u>4,490,491</u>
Total State Grant Expenditures		\$ <u>7,437,441</u>

**NOTE 13 - SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR
WOMEN, INFANTS AND CHILDREN - FOOD ISSUANCE**

The City of New Orleans, in conjunction with the State of Louisiana Department of Health and Hospitals, administers the Women, Infants and Children Supplemental Program (WIC). As a result, eligible participants received WIC drafts to obtain WIC food packages totaling \$8,395,418.



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

We have audited the Schedule of Expenditures of Federal Awards of the City of New Orleans as of and for the year ended December 31, 2004, and have issued our report thereon dated June 3, 2005. The financial statements of the City of New Orleans were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. As discussed in Note 4, the City of New Orleans has failed to comply with certain contractual and programmatic requirements with regard to its federal award programs during the year ended December 31, 2004 and in previous years. Such failures to comply with certain contractual and programmatic requirements resulted in questioned costs totaling \$10,895,315.

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

Compliance

As part of obtaining reasonable assurance about whether the City of New Orleans' Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the Schedule of Expenditures of Federal Awards' amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and might be material to the Schedule of Expenditures of Federal Awards. However, our December 31, 2004 audit of the federal programs resulted in questioned costs totaling \$825,930, which is material to the Schedule of Expenditures of Federal Awards, but the ultimate resolution cannot be presently determined. We also noted other immaterial instances of noncompliance that we have reported to management of the City of New Orleans in a separate letter dated June 3, 2005.

Also as discussed in Notes 4 and 5, under the terms and conditions of certain contracts and grants, the City of New Orleans disburses grants and awards to certain sub-recipients who are audited by other independent auditors and monitored by Independent Accountants engaged by the City of New Orleans and the City Council of New Orleans. Also, the City of New Orleans is periodically audited by federal agencies. The other independent auditors, independent accountants and federal auditors have furnished their audit and agreed-upon procedures reports to us. The audit and agreed-upon procedures reports contained instances of non-compliance pertaining to programmatic and financial activities of certain sub-recipients and the City of New Orleans.

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

The scope of our work was not sufficient to express, and we do not express an opinion on the completeness of the findings. However, information on the reported findings and questioned costs is included in the Current Status of Other Audits and Program Reviews performed by Federal Auditors and other Independent Auditors section starting on page 69 and the Summary of Other Independent Accountants fiscal and programmatic monitoring on page 89.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures of Federal Awards and not to provide assurance on the internal control over financial reporting. Other independent auditors issued a report in which they reported separately on the results of their study and evaluation of the City of New Orleans internal control over financial reporting as a part of their audit of the financial statements. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Schedule of Expenditures of Federal Awards being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting that we have reported to management of the City of New Orleans in a separate letter dated June 3, 2005.

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(CONTINUED)

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

This report is intended for the information and use of the members of the City Council, the Mayor of the City of New Orleans, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 3, 2005



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of the City of New Orleans with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. The City of New Orleans' major federal programs are identified in the summary of the independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of New Orleans' management. Our responsibility is to express an opinion on the City of New Orleans' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Orleans' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of New Orleans' compliance with those requirements.

As described in Schedule III, audit findings 2004-06 and 2004-07 in the accompanying schedule of findings and questioned costs, the City of New Orleans did not comply with the requirements applicable to matching and earmarking that are applicable to its Home Investment Partnership Program. Compliance with such requirements is necessary in our opinion, for the City of New Orleans to comply with requirements applicable to that program. In addition, the results of our audit procedures disclosed other instances of non-compliance that are required to be reported in accordance with OMB Circular A-133 and which are described in Schedule III in the accompanying schedule of findings and questioned costs as items 2004-01, 2004-02, 2004-03, 2004-04, 2004-05, 2004-08, 2004-09, 2004-10, 2004-11, 2004-12, 2004-13 and 2004-14.

In our opinion, except for the City of New Orleans' failures to properly comply with matching and earmarking requirements, as described in the preceding paragraph, the City of New Orleans complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

Under the terms and conditions of certain contracts and grants, the City of New Orleans disburses grants and awards to certain sub-recipients who are audited by other independent auditors and monitored by Independent Accountants engaged by the City of New Orleans and the City Council of the City of New Orleans. Also, the City of New Orleans is periodically audited by federal agencies. The other independent auditors, independent accountants and federal auditors have furnished their audit and agreed-upon procedures reports to us. The audit and agreed-upon procedures reports contained instances of non-compliance pertaining to programmatic and financial activities of certain sub-recipients and the City of New Orleans. The scope of our work was not sufficient to express, and we do not express an opinion on the completeness of the findings. However, information on the effect of the reported findings is included in the Current Status of Other Audits and Program Reviews performed by Federal Auditors and other Independent Auditors section starting on page 69 and the Summary of Other Independent Accountants fiscal and programmatic monitoring on page 89.

Internal Control Over Compliance

The management of the City of New Orleans is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Orleans' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of New Orleans' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Schedule III in the accompanying schedule of findings and questioned costs as items 2004-01, 2004-03, 2004-05, 2004-06, 2004-07, 2004-08, 2004-10, 2004-11, 2004-12, 2004-13 and 2004-14.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions entitled matching and earmarking are material weaknesses. Such reportable conditions are identified as audit findings 2004-06 and 2004-07.

We also noted other matters that we have reported to the management of the City of New Orleans in a separate letter dated June 3, 2005.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

To the Members of the
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City of New Orleans
New Orleans, Louisiana

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Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 3, 2005

**SUMMARY OF THE INDEPENDENT ACCOUNTANTS
FISCAL AND PROGRAMMATIC MONITORING
OF THE CITY OF NEW ORLEANS' SUB-RECIPIENTS**

SCHEDULE I

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS

1. Type of report issued on the schedule of expenditures of federal awards unqualified.
2. Did the audit disclose any reportable conditions in internal control no.
3. Were any of the reportable conditions material weaknesses no.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization no; however, an uncertainty exists whereby the ultimate resolution cannot presently be determined.
5. Did the audit disclose any reportable conditions in internal control over major programs yes.
6. Were any of the reportable conditions in internal control over major programs material weaknesses yes.
7. Type of report issued on compliance for major programs qualified.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a) yes.
9. The following is an identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Name of</u> <u>Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.218	Community Development Block Grant
14.221	Urban Development Action Grants - Grantee Loans
14.239	Home Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
14.248	Community Development Block Grant - Section 108 Loan Guarantee

SCHEDULE I

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS,
(CONTINUED)**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.258	Workforce Investment Act-Adult Program
17.259	Workforce Investment Act-Youth Activities
17.260	Workforce Investment Act- Dislocated Workers
93.914	HIV Emergency Relief Project Grant
93.926	Healthy Start Initiatives

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$2,038,761

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 530
no.

SCHEDULE II

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004**

SCHEDULE II

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FINANCIAL STATEMENT FINDINGS**

COMPLIANCE

No matters were reported. However, our December 31, 2004 audit of federal programs resulted in questioned costs totaling \$825,930 which is material to the Schedule of Expenditures of Federal Awards, but the ultimate resolution cannot be presently determined. We also noted other immaterial instances of noncompliance that we have reported to the management of the City of New Orleans in a separate letter dated June 3, 2005.

INTERNAL CONTROL OVER FINANCIAL REPORTING

No matters were reported. However, we did note other matters involving the internal control over financial reporting that we have reported to the management of the Cit of New Orleans in a separate letter dated June 3, 2005.

SCHEDULE III

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004- 01 Cost Allocation

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.218 Community Development Block Grant (CDBG)

14.239 Home Investment Partnerships Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section B Cost Principles specify that certain facility costs incurred by local governments can be allocated based upon a cost allocation plan and allocable to a cost objective in associated with the relative benefits received.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 01 Cost Allocation, Continued

Conditions and Perspectives

We noted during our audit that the rental payment tested for facilities that house personnel who administer the Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) was not allocated to the respective grants in accordance with the current "Rent Allocation Plan".

Cause

The rental cost were allocated based on the "Rent Allocation Plan" from the previous expired lease term and not updated based on the current "Rent Allocation Plan".

Questioned Costs

For purposes of this finding, we have not questioned any costs.

Effect

Facility rental costs charged to a respective grant not consistent with current "Rent Allocation Plan".

Recommendation

We recommend that management of the City of New Orleans take immediate steps to correct this condition and implement procedures to ensure compliance with current "Rent Allocation Plan".

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004- 02 Cash Management

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.239 Home Investment Partnerships Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section C Cost Principles stipulates when entities are funded on a cost reimbursement basis, program cost must be paid for by entity funds before reimbursement from the federal government.

Conditions and Perspectives

We noted during our audit that included in our sample of cash disbursements was one (1) disbursement in the amount of \$33,104 in which the funds were requested for reimbursement from the federal government approximately eighty-five (85) days before the funds were disbursed by the City of New Orleans.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 02 Cash Management, Continued

Cause

The City of New Orleans has not effectively ensured program cost are paid by the City of New Orleans before reimbursement is requested from the federal government.

Questioned Costs

For purposes of this finding, we have not questioned any costs.

Effect

Non-compliance with Part 3, Section C of OMB Circular A-133 Compliance Supplement.

Recommendation

We recommend that management of the City of New Orleans ensure that program cost are paid by the City of New Orleans prior to requesting funds from the federal government.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004- 03 Davis-Bacon Act

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.218 Community Development Block Grant (CDBG)

14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section D stipulates that a non-federal entity must ensure that contractors and sub-contractors are paid prevailing wage rates for projects covered by the Davis-Bacon Act.

Conditions and Perspectives

We noted during our audit weaknesses in internal control concerning identification and monitoring of those construction contracts that are subject to the provisions of Davis-Bacon Act.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 03 Davis-Bacon Act, continued

Cause

The management of the City of New Orleans did not adhere to established procedures.

Questioned Costs

For purposes of the noted condition, we have not questioned any cost

Effect

The City of New Orleans is not ensuring that construction contractors are paying employees prevailing wage rates established by the Department of Labor.

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures and strengthen internal control with regard to tracking construction activities subject to the provisions of the Davis Bacon Act and monitoring contractors and/or sub-contractors for compliance with the Davis-Bacon Act.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004 -04 Eligibility

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 4, Section 4-14.239-3 specify the specific eligibility requirements for individuals receiving Home Investment Partnership Program grant funds.

Conditions and Perspectives

We noted during our audit that for one (1) of the five (5) participants tested, the management of the City of New Orleans was unable to provide inspection documentation that the applicable properties met the City's Minimum Housing Standards and Section 8 Housing Quality Standards and one (1) of the five (5) participants tested in the Homebuyer's program did not have the documentation on file indicating attendance in the twelve (12) hour homebuyer training course.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2004 -04 Eligibility, Continued

Cause

The management of the City of New Orleans did not adhere to established compliance procedures.

Questioned Costs

For purposes of this condition, we have not questioned any costs.

Effect

Non-compliance with federal requirements regarding the documentation of the eligibility of individuals and ensuring eligible individuals receive appropriate benefits.

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number **Questioned Cost**

2004 -05 Equipment and Real Property Management **\$-0-**

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.218 Community Development Block Grant (CDBG)

14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section F stipulates that equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment and equipment shall be adequately maintained.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004 -05 Equipment and Real Property Management, continued

Conditions and Perspectives

We noted during our audit we noted:

- Two (2) vehicle acquisitions during the year ended December 31, 2004 were not included of the 2004 Inventory Purchases report nor were they included on the 2004 Inventory Report; and
- While a physical inventory was conducted by the agency with responsibility for the administration of the above referenced grants, controls need to be strengthened surrounding the physical inventory procedures to (a) ensure the completeness of the physical inventory related to vehicles and documentation regarding actual physical inventory count.

Cause

Weaknesses in the internal controls related to physical inventory count procedures.

Questioned Costs

For purposes of this finding, we have not questioned any costs.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004 -05 Equipment and Real Property Management, Continued

Effect

Non-compliance with federal regulations regarding equipment management.

Recommendation

We recommend that management of the City of New Orleans take immediate steps to ensure compliance with equipment management regulations.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004 -06 Matching

\$786,391

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.239 Home Investment Partnerships Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section 6 stipulates that a non-federal entity must provide matching or cost sharing of a specified amount or percentage as provided in the contract or grant agreement with the federal government.

Conditions and Perspectives

We noted during our audit that the City of New Orleans must provide eligible matching contributions of 12.5% of its actual Home Investment Partnership Program expenditures. The grantor agency has allowed the City of New Orleans to provide the match in the form of certain non-federal expenditures (i.e. forgiven taxes, appraisal value of donated land or real property, infrastructure, site preparation, non-federal cash, etc.) incurred or provided by the sub-recipient. However, management of the City of New Orleans failed to fully document the match of Home Investment Partnership program funds for the year ended December 31, 2004.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 06 Matching, Continued

Cause

A system for the reporting, tracking and monitoring of the sub-recipient data has not been completely established.

Questioned Costs

For the Home program we have questioned the amount of matching funds which were not documented. This amount totals \$786,391 which is 12.5% of the Home Investment Partnership Program funds drawn down.

Effect

Non-compliance with federal requirements on providing a match of grant fund expenditures.

Recommendation

We recommend that Management of the City of New Orleans take immediate steps to document the match of Home Investment Partnership Program expenditures.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number Questioned Costs

2004 -07 Earmarking \$39,539

Federal Agencies, CFDA Numbers and Titles

U.S. Department of Housing and Urban Development
14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 4 specifies HOME funds are earmarked for administrative and planning costs. The City may expend for administrative and planning cost an amount that is not more than ten percent (10%) of the basic formula allocation.

Conditions and Perspectives

The 2004 basic formula allocation was \$7,302,152. The City expended \$769,753 on administrative and planning cost which was in excess of the ten percent (10%) limitation of \$730,215 by \$39,539.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 07 Earmarking, Continued

Cause

The management of the City of New Orleans has indicated that further review is required to be made of this condition.

Questioned Costs

For purposes of this condition, we have questioned costs of \$39,539.

Effect

The management of the City of New Orleans has not complied with the earmarking limitation specified by the federal government.

Recommendation

We recommend that immediate steps be taken to ensure that to ensure earmarking targets are met.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number Questioned Costs

2004- 08 Earmarking

\$-0-

Federal Agencies, CFDA Numbers and Titles

**U.S. Department of Health and Human Services
93.914 HIV Emergency Relief (Ryan White)**

Federal Award Year

December 31, 2004

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 4 specifies an amount not less than the percentage represented by the ratio of infants, women, and children with AIDS in the population of the City of New Orleans to the City of New Orleans' overall population with AIDS is to be spent on services to these populations.

Conditions and Perspectives

The management of the City of New Orleans did not compile the related AIDS statistics and as a result was unable to ensure that the required earmarking target was met.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004 -08 Earmarking, Continued

Cause

The management of the City of New Orleans has indicated that further review is required to be made of this condition.

Questioned Costs

For purposes of this condition, we have not questioned any costs.

Effect

The management of the City of New Orleans has not complied with the earmarking limitation specified by the federal government.

Recommendation

We recommend that immediate steps be taken to ensure that to ensure earmarking targets are met.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2004 -09 Procurement

Questioned Costs

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development
14.218 Community Development Block Grant (CDBG)

Federal Award Year

December 31, 2004

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3 stipulates that local governments will use their own procurement procedures provided they conform to applicable federal law and regulations and standards identified in the A-102 Common Rule.

Conditions and Perspectives

During the course of our audit we noted that a contract to a successful bidder in the amount of \$2,180,740 was awarded to a vendor for the performance of asphalt maintenance services to be performed during the period of October 1, 2001 through September 31, 2002. As noted in the Instruction to Bidders and General Conditions, "Estimated quantities (indicated in the bid proposal) are strictly for estimating purposes only and may be increased or decreased in accordance with City of New Orleans requirements" and "Subject to the approval of both the successful vendor and the City of New Orleans, the contract may be renewed for an additional year provided all pricing, terms and conditions remain the same."

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2004 -09 Procurement, Continued

Conditions and Perspectives, continued

Our test work indicated that the contract related to this award was extended on three (3) occasions through March 31, 2004 which exceeded the additional year option as specified in the bid documents and we also noted that services were rendered by the applicable vendor through June 30, 2004 which was subsequent to the last contract extension date of March 31, 2004. It should also be noted that expenditures under this contract ultimately approximated \$16,987,000.

Cause

The management of the City of New Orleans did not adhere to established procurement procedures.

Questioned Costs

For purposes of this condition, we have not questioned any costs.

Effect

Non-compliance with procurement requirements regarding contract extension regulations.

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004- 10 Financial Reporting

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development
14.218 Community Development Block Grant (CDBG)

Federal Award Year

December 31, 2004

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 4, Section 4.14.218 - Reporting specifies that the financial information per the Summary Report (CO4PR03) and the CDBG Financial Summary (CO4PR26), which is included in the Consolidated Annual Performance and Evaluation Report (CAPERS) must agree to the accounting records.

Conditions and Perspectives

We noted during our audit that the financial information for the CDBG which were included in the CDBG financial summary for program year 2004 (IDIS C04PR26 and CO4PR3) were not reconciled to the accounting records at December 31, 2004.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004-10 Financial Reporting, Continued

Cause

The City of New Orleans has continued to experience problems in reconciling amounts per the Integrated Disbursement and Information System (IDIS) to the general ledger.

Effect

Due to the problems with the IDIS, we were unable to determine if the City of New Orleans *was unable to provide accurate financial information to HUD via the IDIS system.*

Recommendation

We recommend that management of the City of New Orleans continue to explore reconciling amounts generated via the Integrated Disbursement and Information System to the financial books and records.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 11 Reporting

Questioned Costs

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Agriculture

10.557 Special Supplemental Nutrition Program for Women, Infants and
Children (WIC)

Federal Award Year

December 31, 2004

Pass-Through Entity

State of Louisiana

Criteria

OMB Circular A-133 Compliance Supplement Part 4, Section 4-10.557.8 specify the specific report requirements for entities receiving WIC funds.

Conditions and Perspectives

We noted during our audit that the City of New Orleans prepares and submits to the State of Louisiana Office of Public Health a monthly request for reimbursement for participants served in the WIC program. This monthly request for reimbursement indicates the number of WIC participants served at each of the seven (7) service locations. Our audit work indicated that the data base utilized summarize the number of participants served each month does not generate a specific listing of the corresponding names of the specific individuals served for whom reimbursement is being requested.

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 11 Reporting, continued

Conditions and Perspectives, continued

Thus, management had to manually prepare a listing of the specific individuals served from which we selected our sample of participants for testing eligibility for participation in the program. However, the participant count derived from the manual preparation of the listing of individuals served differed from count of the participants served as reflected on the request for reimbursements for the sample of reimbursement request tested.

Cause

The City of New Orleans has not implemented of a system to specifically accumulate, account for and summarize participant names to support the number of WIC participants served as reflected on the reimbursement request.

Questioned Costs

For purposes of this condition, we have not questioned any costs.

Effect

Uncertainties regarding the identification of the participants served for whom reimbursement is being requested.

Recommendation

We recommend that management of the City of New Orleans refine its data base to specifically identify WIC participants for whom reimbursement is being requested.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004- 12 Monitoring

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing and Urban Development

14.218 Community Development Block Grants (CDBG)

14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

Not applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity is responsible for the monitoring of the sub-recipient's activities to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements. This responsibility includes identifying federal award information and compliance requirements to the sub-recipient and ensuring required audits are performed

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS,**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004- 12 Monitoring, Continued

Conditions and Perspectives

We noted during our audit the following conditions:

The management of the City of New Orleans has not obtained A-133 audit reports for the following grant programs and related sub-recipients:

<u>CFDA/Grant Program</u>	<u>Delinquent A-133 Audit Reports</u>
14.218 Community Development Block Grant	6
14.239 Home Investment Partnership Program	1
14.248 Section 108 Loan Guarantee	3

Cause

The management of the City of New Orleans is continuing to improve its internal control procedures for monitoring.

Effect

The City of New Orleans is continuing to ensure that sub-recipients are monitored in accordance with federal requirements.

Recommendation

We recommend that the City of New Orleans continue in its efforts to ensure that a fiscal and programmatic monitoring system is completely established that would be in compliance with federal requirements and also provide to the City a comfortable degree of assurance with regard to ensuring sub-recipients comply with federal, state and city regulations.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004-13 Monitoring

\$-0-

Federal Agency, CFDA Number and Title

**U.S. Department of Health and Human Services
93.914 HIV Emergency Relief (Ryan White)**

Federal Award Year

December 31, 2004

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity is responsible for the monitoring of the sub-recipients activities to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements. This responsibility includes identifying federal awards information and compliance requirements to the sub-recipients and ensuring required audits are performed.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004-13 Monitoring, continued

Conditions and Perspectives - HIV Emergency Relief (Ryan White)

We noted during our audit that management failed to obtain audit reports for five (5) sub-recipients receiving HIV Emergency Relief (Ryan White) funds during the year. We also noted that management did not follow established procedures which required personnel to review audit reports and follow-up on all reported findings.

Cause

The management of the City of New Orleans should strengthen its internal monitoring procedures to ensure compliance with applicable grant requirements.

Questioned Cost

For purposes of these conditions, we have not questioned any costs.

Effect

Non-compliance with federal regulations requiring that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

2004-13 Monitoring, continued

Recommendation

We recommend that the City of New Orleans continue its efforts to ensure that a fiscal and programmatic monitoring system is completely established to provide the City of New Orleans reasonable assurance that sub-recipients comply with federal, state and local regulations.

SCHEDULE III

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

2004-14 Special Tests and Provisions -
On-Site Inspections

\$-0-

Federal Agency, CFDA Number and Title

U.S. Department of Housing of Urban Development
14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2004

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 4, Section 4.14.239 - Housing Quality Standards stipulate that during the period for which the sub-recipient maintains subsidized housing for Home Assisted Rental Housing, the disbursing agency must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than certain presented years for defined project levels (1 to 26 or more units).

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans had not completely performed on-site inspections for two (2) rental rehabilitation projects tested that were funded with Home Investment Partnership Program funds and one (1) of the projects tested did not meet the City's Minimum Housing Standards and Section 8 Housing Quality Standards.

**CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES**

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES**

FEDERAL AGENCY - U. S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2001

BACKGROUND

On May 23, 2002 the City of New Orleans received notification from the U. S. Department of Housing and Urban Development (HUD). The notification indicated that as a result of the monitoring and technical assistance site visit fifteen (15) programmatic/fiscal findings were cited. Additionally questioned cost of \$11,116 related to the Community Development Block Grant program were deemed not necessary for the operation of the CDBG program. The monitoring and technical assistance site visit report also contained four (4) areas of concern that while not based on statutory or regulatory requirements, if left uncorrected could become a finding.

CURRENT STATUS

A communication was received from HUD dated April 9, 2004 related to the status monitoring findings contained in HUD's March 12, 2003 monitoring report which centered around a review of a sample of the activities carried out during the City's 2001 and 2002 program years.

Based on that communication five findings remain open.

Subsequently on January 21, 2005 the City of New Orleans was notified that based on additional documentation only four (4) of the findings remain open.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT**

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2002

BACKGROUND

On March 12, 2003 the City of New Orleans received notification from the U. S. Department of Housing and Urban Development (HUD). The notification indicated that as a result of the monitoring and technical assistance site visit twenty-one (21) programmatic/fiscal findings were cited. Additionally questioned cost of \$33,484 related to the Community Development Block Grant Program and the Home Investment Partnership Program were deemed not necessary for the operation of the programs. The monitoring and technical assistance site visit report also contained four (4) areas of concern that, while not based on statutory or regulatory requirements, if left uncorrected could become a finding.

CURRENT STATUS

A communication was received from HUD dated April 9, 2004 related to the status monitoring findings contained in HUD's March 12, 2003 monitoring report which centered around a review of a sample of the activities carried out during the City's 2001 and 2002 program years.

Based on that communication five findings remain open including one (1) finding that could result in the City paying back to the HOME program from non-federal funds a total of \$4,065,046.

Subsequently on January 21, 2005 the City of New Orleans was notified that based on additional documentation only two (2) findings remain open including the potential \$4,065,046 payback.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

FEDERAL AGENCY - U. S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2003

BACKGROUND

On April 9, 2004 the City of New Orleans received notification from the U. S. Department of Housing and Urban Development related to the fiscal year 2003 monitoring visit which focused on the findings contained in the March 12, 2003 monitoring report. That report contained three findings. (See Status of Fiscal Year 2001 and 2002 site visit findings on pages 69 and 70.)

CURRENT STATUS

A corrective action plan was submitted on May 10, 2004 addressing HUD's April 9, 2004 letter related to the outstanding concerns and findings from the Program Year 2003 HUD Monitoring Review.

Subsequently on January 21, 2005 the City of New Orleans was notified that based on additional documentation only one (1) finding remains open.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

FEDERAL AGENCY - U. S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2004

BACKGROUND

As of June 3, 2005 the Monitoring/Technical Assistance Site Visit for fiscal year 2004 had not yet been performed.

CURRENT STATUS

N/A

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT -
OFFICE OF INSPECTOR GENERAL**

**SUBJECT - SECTION 108 LOAN PROGRAM,
JAZZLAND THEME PARK (2004-FW-1003)**

AUDIT PERIOD - N/A

BACKGROUND

On March 15, 2004 an audit report was issued by the Regional Inspector General for Audit related to the City's administration of its Section 108 Loan Program in an economic, effective and efficient manner and in accordance with program requirements. That report cited two (2) audit findings with questioned cost of \$7,685,703.

CURRENT STATUS

Pursuant to correspondence dated February 25, 2005 from the U. S. Department of Housing and Urban Development, the City of New Orleans agrees with Finding 1 that cost of \$7,685,703 were ineligible/unsupported and must be repaid to the Section 108 Loan Repayment Account. This finding will not be closed until documentation of repayment is submitted. The second finding regarding the effective management of the Section 108 Loan program has been cleared.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - OFFICE OF INSPECTOR GENERAL -
U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**SUBJECT - THE CITY OF NEW ORLEANS -
DESIRE COMMUNITY HOUSING CORPORATION**

AUDIT PERIOD - JANUARY 1, 2000 TO JULY 31, 2003

BACKGROUND

Subsequent to June 4, 2004, on June 22, 2004 the Office of Inspector General-U. S. Department of Housing and Urban Development issued report #2004-FW-1007 of its review to determine whether the Desire Community Housing Corporation administered its HOME Program funds in an economical manner and efficient manner and in accordance with the terms of the grant agreements with the City of New Orleans and applicable HUD regulations and federal laws. That report cited three (3) findings and ineligible and unsupported cost of \$5,467,648.

CURRENT STATUS

The City of New Orleans has submitted its response to the findings and ineligible and unsupported cost, however pursuant to correspondence dated February 25, 2005 all findings remain open.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT -
OFFICE OF INSPECTOR GENERAL**

**SUBJECT - HOME INVESTMENT PARTNERSHIP PROGRAM
(2005-FW-1008)**

AUDIT PERIOD - FISCAL YEARS 2000 THROUGH 2003

BACKGROUND

On April 8, 2005 the City of New Orleans received notification from the U. S. Department of Housing and Urban Development - Office of Inspector General. The notification indicated as a result of the audit one (1) finding was cited regarding the City of New Orleans not contributing approximately \$3.6 million in HOME matching funds resulting in questioned cost of \$3,591,209.

CURRENT STATUS

The City of New Orleans agreed with the finding and submitted a detailed corrective action plan to achieve compliance with HOME match requirements.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**SUBJECT - SECTION 108 LOAN GUARANTEE -
LOUISIANA ARTWORKS (2005-FW-1001)**

AUDIT PERIOD - N/A

BACKGROUND

In correspondence dated November 8, 2004 and March 14, 2005 the results of an audit of the Section 108 Loan Guarantee - Louisiana Artworks projects issued November 5, 1004 were communicated to the City of New Orleans. That report contained four (4) recommendations and ineligible/unsupported questioned cost of \$22,382.

CURRENT STATUS

No change.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT -
OFFICE OF INSPECTOR GENERAL**

**SUBJECT - COMMUNITY DEVELOPMENT BLOCK GRANT -
NEW ORLEANS AFRICAN AMERICAN MUSEUM
(2005-FW-1005)**

AUDIT PERIOD - N/A

BACKGROUND

On February 25, 2005 a report was issued by the U. S. Department of Housing and Urban Development - Office of Inspector General regarding the City of New Orleans' subrecipient New Orleans African American Museum's management of Community Development Block Grant funds. That report contained two (2) findings and ineligible/unsupported cost of \$1,073,044.

CURRENT STATUS

The City of New Orleans has submitted a response to the findings.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**SUBJECT - MONITORING AND TECHNICAL ASSISTANCE
SITE VISIT REPORT CITIZEN PARTICIPATION AND
CONSULTATION -
COMMUNITY DEVELOPMENT BLOCK GRANT**

AUDIT PERIOD - N/A

BACKGROUND

On July 2, 2004 the results of an on-site review of the City of New Orleans citizen participation plan and consultation process were transmitted to the City of New Orleans. That report contained three (3) findings and one (1) concern.

CURRENT STATUS

As of October 7, 2004 all findings and the one (1) concern were cleared.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
AND PROGRAM REVIEWS
PERFORMED BY FEDERAL AGENCIES
(CONTINUED)**

**FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**SUBJECT - 2002 HOME FUNDS COMMITMENT/
RESERVATION DEADLINE**

AUDIT PERIOD - N/A

BACKGROUND

On April 23, 2004 the City of New Orleans received notice that the City had missed its commitment deadline regarding its CHDO requirement.

CURRENT STATUS

Pursuant to correspondence dated August 20, 2004, the City has supplied the appropriate documentation to remedy the shortfall of its 2002 HOME funds.

**CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS**

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS**

ORGANIZATION - MULTI-SERVICE CENTER FOR THE HOMELESS

AUDIT PERIOD - YEARS ENDED DECEMBER 31, 1995 AND 1994

OTHER INDEPENDENT AUDITOR -
LUTHER C. SPEIGHT & COMPANY - REPORT DATED
SEPTEMBER 16, 1996

FINDINGS AND QUESTIONED COSTS

The Multi-Service Center for the Homeless is a sub-recipient of funding from the City Council grants and the City of New Orleans Emergency Shelter Grants (HUD) for the aforementioned periods. The Independent Accountants' Report On Applying Agreed-Upon Procedures relative to the Organization's compliance with certain laws and regulations reported an allegation of fraud against an employee of the Organization. The results of the engagement was reported to the Organization's Board of Directors and the State Legislative Auditor. This matter has been referred to the Federal Bureau of Investigation who is presently reviewing the matter for trial.

Current Status

The City of New Orleans is currently pursuing this matter through litigation activities the results of which cannot be determined at this time. The unpaid amount due to the City of New Orleans is \$27,951.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - UNITED SERVICES FOR AIDS FOUNDATION, INC.

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 1999

FINDINGS AND QUESTIONED COSTS

The United Services for AIDS Foundation, Inc. is a sub-recipient of HIV Emergency Relief Formula Grant funds (CFDA 93.914) from the City of New Orleans. An audit performed for the year ended December 31, 1999 contained certain compliance findings with related questioned costs totaling \$23,817. The cognizant agency has not rendered a final determination with regard to these findings.

CURRENT STATUS

A final determination was rendered and the questioned costs is currently being repaid to the funding source.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - EXCELTH, INC.

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 2001

OTHER INDEPENDENT - BRUNO & TERVALON LLP,
Certified Public Accountants

AUDIT FINDING

The Independent Auditors noted that the Administrator of two City of New Orleans sponsored health clinics received payments from EXCELTH, Inc. to prepare and submit Medicare, Medicaid and other third party claims and perform janitorial services at the same two health clinics.

The Administrator of the Clinics is employed by the City of New Orleans Health Department. In the Independent Auditors' opinion, this condition represents a Code of Ethics violation.

CURRENT STATUS

No change. However, no occurrences noted during the December 31, 2004 audit period.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - DESIRE COMMUNITY HOUSING CORPORATION

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 2002

FINDINGS AND QUESTIONED COSTS

The Desire Community Housing Corporation is a sub-recipient of Community Development Block Grant Funds (CFDA 14.218) from the City of New Orleans. An audit performed for the year ended December 31, 2002 contained certain compliance findings with related questioned costs totaling \$31,505. The cognizant agency has not rendered a final determination with regard to these findings.

CURRENT STATUS

No change.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - NEW ORLEANS AFRICAN AMERICAN MUSEUM

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 2002

FINDINGS AND QUESTIONED COSTS

The New Orleans African American Museum is a sub-recipient of Community Development Block Grant funds (CFDA 14.218) from the City of New Orleans. An audit performed for the year ended December 31, 2002 contained certain compliance findings with related questioned costs totaling \$31,658. The cognizant agency has not rendered a final determination with regard to these findings.

CURRENT STATUS

No change.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - GREAT EXPECTATIONS FOUNDATION

AUDIT PERIOD - YEAR ENDED SEPTEMBER 30, 2003

FINDINGS AND QUESTIONED COSTS

Great Expectations Foundation is a sub-recipient of Healthy Start Initiatives funds (CFDA 93.926) from the City of New Orleans. An audit performed for the year ended September 30, 2003 contained reportable conditions in internal control that were material weaknesses, noncompliance material to the financial statements, reportable conditions in internal control over major programs that were material weaknesses and expressed a qualified opinion on compliance for major programs. That report also contained questioned cost of \$6,669.

CURRENT STATUS

No change.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - BROTHERHOOD, INC.

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 2003

FINDINGS AND QUESTIONED COSTS

Brotherhood, Inc. is a subrecipient of HOME funds (CFDA 14.239) from the City of New Orleans. An audit performed for the year ended December 31, 2003 contained questioned cost of \$17,543.

CURRENT STATUS

All questioned cost have been resolved.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - OPPORTUNITIES INDUSTRIALIZATION CENTER

AUDIT PERIOD - YEAR ENDED SEPTEMBER 30, 2003

FINDINGS AND QUESTIONED COSTS

Opportunities Industrialization Center is a subrecipient of HOME funds (CFDA 14.239) from the City of New Orleans. An audit performed for the year ended December 31, 2003 contained questioned cost of \$34,411.

CURRENT STATUS

All questioned cost have been resolved.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - GREAT EXPECTATIONS FOUNDATION

AUDIT PERIOD - PERIOD ENDED DECEMBER 31, 2003

FINDINGS AND QUESTIONED COSTS

Great Expectations Foundation is a sub-recipient of Healthy Start Initiatives funds (CFDA 93.926) from the City of New Orleans. An audit performed for the period ended December 31, 2003 contained reportable conditions in internal control that were material weaknesses, noncompliance material to the financial statements, reportable conditions in internal control over major programs that were material weaknesses and expressed a qualified opinion on compliance for major programs. That report also contained questioned cost of \$8,134.

CURRENT STATUS

No change.

**SUMMARY OF THE INDEPENDENT ACCOUNTANTS
FISCAL AND PROGRAMMATIC MONITORING**

**CITY OF NEW ORLEANS
SUMMARY OF OTHER INDEPENDENT ACCOUNTANTS
FISCAL AND PROGRAMMATIC MONITORING OF THE
CITY OF NEW ORLEANS' SUB-RECIPIENTS**

The management of the City of New Orleans and the City Council of the City of New Orleans engaged Independent Accountants to perform fiscal and programmatic monitoring on subrecipients who received Home Investment Partnership, Community Development Block Grant, Emergency Shelter Grant, Healthy Start Initiative, Workforce Investment Act, Housing Opportunities for Persons with AIDS, HIV Emergency Relief Program, Section 108 Loan Guarantee, Urban Development Action Grant Grantee Loans and Brownsfield Economic Development Initiative grant funds for the years ended December 31, 2004, 2003 and 2002.

As a result of the Independent Accountants' monitoring of sub-recipients' activities, approximately \$734,000 of federal funds were questioned.

The management of the City of New Orleans has issued management decisions on such monitoring findings and is working towards either resolving or receiving reimbursement of all questioned costs.

**CITY OF NEW ORLEANS
EXIT CONFERENCE**

An exit conference and other meetings were held at the City of New Orleans to discuss the audit report and the various findings. Those who have been in attendance are noted below. The findings were also discussed, prior to the exit conference, with the respective department heads.

CITY OF NEW ORLEANS

<i>Councilmember Renee Gill-Pratt</i>	-- Chairperson, Budget/Audit/BoR Committee
Councilmember Jacquelyn Brechtel Clarkson	-- Budget/Audit/BoR Committee
Councilmember Cynthia Willard-Lewis	-- Budget/Audit/BoR Committee
Ms. Julie Schwam Harris	-- Director, Federal and State Programs
Mr. Charles Winchester	-- Director, Compliance and Monitoring
Mr. Reginald Zeno	-- Director of Finance
Mr. Wayne M. DeLarge	-- Comptroller

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	-- Managing Partner
Mr. Armand E. Pinkney	-- Engagement Manager
Mr. Sean M. Bruno, CPA	-- Manager
Mr. Lawrence Jones, CPA	-- Manager

**CITY OF NEW ORLEANS
CORRECTIVE ACTIONS PLAN - AUDIT FINDINGS
DECEMBER 31, 2004**

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACTED
<p>2004-01 COST ALLOCATION</p> <p>The Independent Auditors noted that payment of rental costs for the lease of the facilities which house personnel who administer the HUD programs were not allocated to the respective grants in accordance with the current "Rent Allocation Plan".</p>	<p>The management of the City of New Orleans acknowledges that the incorrect percentages were used to calculate the allocation of the rental expenses. This has been corrected. Notations have been made to the file as to the correct percentage allocations with instructions to the processor to carefully review the calculations to ensure their accuracy. Secondary verification will be performed by the supervising accountant and the Fiscal Unit Bureau chief. Appropriate journal entries will be made to adjust charges to the proper budget codes.</p>	<p>Aug. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p>2004-02 Cash Management</p> <p>The Independent Auditors noted that included in their sample of cash disbursements was one (1) disbursement in the amount of \$33,104 in which the funds were requested for reimbursement from the federal government approximately eighty-five (85) days before the funds were disbursed by the City of New Orleans.</p>	<p>The management of the City of New Orleans will ensure that program costs are paid by the City of New Orleans prior to requesting funds from the federal government.</p>	<p>Sept. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACTED
<p>2004-03 DAVIS -BACON ACT</p> <p>The Independent Auditors noted that management of the City of New Orleans should strengthen the internal controls surrounding the identification and monitoring of those construction contracts that are subject to the provisions of Davis-Bacon Act.</p>	<p>The management of the City of New Orleans has developed formal procedures for monitoring contractors and subcontractors for compliance with the Davis-Bacon Act and will adhere to established procedures and strengthen internal control with regard to tracking construction activities subject to the provisions of the Act.</p>	<p>Dec. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p>2004-04 ELIGIBILITY</p> <p>The Independent Auditors noted that management of the City of New Orleans was unable to provide inspection documentation that the applicable properties met the City's Minimum Housing Standards and Section 8 Housing Quality Standards for one (1) of the five (5) participants tested in the Home Investment Partnership Program.</p>	<p>The management of the City of New Orleans was not required to have inspection documentation for the participant in question. The participant, while certified as income-eligible, never progressed to the point of purchasing the home.</p>	<p>Accomplished</p>	<p>Alberta Pate</p>	<p>HUD</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACTED
<p>2004-05 EQUIPMENT AND REAL PROPERTY MANAGEMENT</p> <p>The Independent Auditors noted that a physical inventory of equipment and furniture maintained by the Department of Housing and Neighborhood Development had been conducted. However, there were discrepancies between the physical inventory count and the equipment records. Two (2) Vehicle acquisitions during the year ended December 31, 2004 were not included on the 2004 Inventory Purchases report nor were they included on the 2004 Inventory Report.</p>	<p>The management of the City of New Orleans has conducted a physical count of all equipment and furniture purchased in FY 2004. The inventory listing has also been updated. Procedures have also been implemented to ensure that all property acquisitions are timely and properly recorded.</p>	<p>Dec. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p>2004-06 MATCHING</p> <p>The Independent Auditors noted that the management of the City of New Orleans failed to document the match of HOME funds for the year ended December 31, 2004 which resulted in questioned costs of \$786,391.</p>	<p>The management of the City of New Orleans has submitted to HUD a MATCH remediation plan to address the cumulative HOME match requirements.</p>	<p>Dec. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p>2004-07 EARMARKING</p> <p>The Independent Auditors noted that the management of the City of New Orleans expended in excess of the basic formula allocation for administrative and planning costs.</p>	<p>The management of the City of New Orleans is in the process of reconciling all expenditures charged to this category to ensure that the spending cap was not exceeded.</p>	<p>Oct. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACTED
<p>2004-08 EARMARKING</p> <p>The Independent Auditors also noted that the management of the City of New Orleans did not compile the related AIDS statistics and as a result was unable to ensure that the required earmarking target was met.</p>	<p>The management of the City of New Orleans will take steps to ensure that required earmarking targets are met.</p>	<p>Oct. 2005</p>	<p>Dr. Kevin Stephens</p>	<p>HRSA</p>
<p>2004-09 PROCUREMENT</p> <p>The Independent Auditors noted that the City of New Orleans did not adhere to established procurement procedures. The Independent Auditor test indicated that an award was extended on three (3) occasions which exceeded the additional year option as specified in the bid documents and that services were rendered by the applicable vendor past the last contract extension date.</p>	<p>The management of the City of New Orleans concurs with the Independent Auditors. The City released a bid to correct this situation in August 2004. The City has since acquired an online procurement system that is being implemented during the months of June and July 2005 which will provide management oversight of contracts, requisitions and purchase orders.</p>	<p>Accomplished</p>	<p>Reginald Zeno</p>	<p>HUD</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACTED
<p>2004-10 FINANCIAL REPORTING</p> <p>The Independent Auditors noted that the financial information for all HUD Grants which were included in the summary report section of the CAPERS and the CDBG financial summary did not agree to the accounting records.</p>	<p>The management of the City of New Orleans established a working committee that corrected over 600 records in the IDIS system. Based upon HUD-Washington's review of our revised data we feel that our reporting and/or recording systems are now in a compatible state. Further, the management of the City of New Orleans is working to identify program year expenditures (as opposed to overall expenditures) so that the financial summary report section of the CAPERS will agree with the City's Accounting records.</p>	<p>Nov. 2005</p>	<p>Reginald Zeno Alberta Pate</p>	<p>HUD</p>
<p>2004-11 REPORTING</p> <p>The Independent Auditors noted that the data base utilized for the WIC program that summarizes the number of participants served each month does not generate a specific listing of the corresponding names of the specific individuals served for whom reimbursement is being requested.</p>	<p>The management of the City of New Orleans disagrees with the Independent Auditor. The WIC program is a State of Louisiana pass-through program that is monitored by the State. The State has a data base to specifically identify WIC participants for whom reimbursement is being requested.</p>	<p>Accomplished</p>	<p>Dr. Kevin Stephens</p>	<p>HRSA</p>
<p>2004-12 MONITORING</p> <p>The Independent Auditors noted that management of the City of New Orleans failed to obtain A-133 audit reports.</p>	<p>The management of the City will follow established procedures to assure that audit reports are obtained on all subrecipients requiring an A-133 audit.</p>	<p>Dec. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACTED
<p>2004-13 MONITORING</p> <p>The Independent Auditors noted that management of the City of New Orleans failed to obtain A-133 audit reports and did not have procedures in place to review audit and follow up on findings.</p>	<p>The management of the City will obtain audit reports on all subrecipients requiring an A-133 audit and follow established procedures.</p>	<p>Dec. 2005</p>	<p>Dr. Kevin Stephens</p>	<p>HUD</p>
<p>2004-14 SPECIAL TESTS AND PROVISIONS ON-SITE INSPECTIONS</p> <p>The Independent Auditors noted that management of the City of New Orleans had not completely performed on-site inspections of rental rehabilitation projects funded with HOME funds.</p>	<p>The management of the City of New Orleans acknowledges that two (2) sites were not inspected. One has been inspected since the auditor's review and steps are being taken to schedule an inspection of the other unit. The management of the City of New Orleans disagrees with the Independent Auditors relevant to the site that did not pass the inspection. Management concurs that the site did not pass the inspection but management feels that the City should not be penalized for a failed inspection that the City will take steps to correct.</p>	<p>Dec. 2005</p>	<p>Alberta Pate</p>	<p>HUD</p>

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: *Internal Control – Departmental Programmatic Activities*

Reference Number(s): 2001-05
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 48

CFDA Numbers and Program Name(s): 10.557 – Special Supplemental (WIC); 10.565 – Commodity Supplemental Food Program; 14.218 – Community Development Block Grant; 14.221 – Urban Development Action Grant – Cumulative Program Income; 14.238 – Shelter Plus Care; 16.592 Local Law Enforcement Block Grant; 20.205 – State and Community Highway Safety; 83.534 – Emergency Management; 93.585 – Empowerment Zones Program; 93.1410012 – EPSDT Medical and Dental Services; 93.194 – Demonstration Grants

Federal Grantor Agency(ies): U.S. Department of Agriculture; U.S. Department of Housing and Urban Development; U.S. Department of Justice; U.S. Department of Transportation; U.S. Federal Emergency Management Agency; U.S. Department of Health and Human Services.

Status of Finding (check one):

Fully Corrected	<u> X </u>	Not Corrected	<u> </u>
Partially Corrected	<u> </u>	No Further Action Needed	<u> </u>
Change of Corrective Action	<u> </u>		

(See OMB A-133 Section 315(b)(4))

Description of Status: *(include corrective action planned and anticipated completion date, if applicable):*

The CNO has increased the scope of its monitoring procedures to include Departmental Programmatic Activities and have implemented such procedures during 2003.

Preparer's Signature:



Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Eligibility

Reference Number(s): 2001-06
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 52

CFDA Numbers and Program Name(s): 10.557 – Special Supplemental Nutrition Program For Women, Infants and Children; 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Agriculture; U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u>X</u>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

Eligibility issues related to the WIC program have been resolved and the CNO will continue to take appropriate steps to ensure compliance with all regulations related to the HOME program.

Preparer's Signature: Jule Schorn Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Program Income

Reference Number(s): 2001-07
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 54

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has taken appropriate steps to ensure program income is properly accounted for.

Preparer's Signature:

Juli Schwartz Harris

Phone Number:

504 658 4916

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Program Income

Reference Number(s): 2001-08
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 56

CFDA Numbers and Program Name(s): 14.221 -- Urban Development Action Grant -- Grantee Loans; 14.248 -- Community Development Block Grant -- Section 108

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<input checked="" type="checkbox"/>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The UDAG audit was completed and the CNO will pursue collection of outstanding UDAG loan balances and Jazzland loan has been restructured with a new loan obligator.

Preparer's Signature:

Julie Sherman Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Davis-Bacon Act

Reference Number(s): 2001-09
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 58

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant;
14.239 Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<input checked="" type="checkbox"/>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has implemented and continues to improve its Davis-Bacon monitoring procedures.

Preparer's Signature:

Julie Schwaninger

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Matching

Reference Number(s): 2001-11
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ 1,240,409

Status of Questioned Costs (check one): Resolved _____ Unresolved: X N/A _____

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Still in negotiation.

Page Number (from Single Audit Report): 63

CFDA Numbers and Program Name(s): 14.231 – Emergency Shelter Grant; 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected _____	Not Corrected _____
Partially Corrected _____	No Further Action Needed <u> X </u>
Change of Corrective Action _____	{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable);

The Department of Housing and Neighborhood Development is currently compiling the information to document the HOME and ESG match.

Preparer's Signature: John Anthony Davis
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Allowable Activities

Reference Number(s): 2001-12
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2000

Amount of Questioned Costs in Finding: \$ 2,234,428

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A _____

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Still in negotiation.

Page Number (from Single Audit Report): 66

CFDA Numbers and Program Name(s): 14.218 - Community Development Block Grant

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

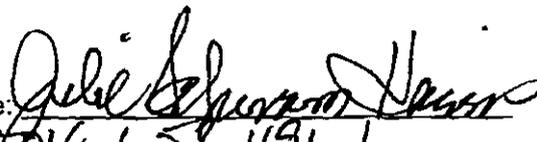
Status of Finding (check one):

Fully Corrected X Not Corrected _____
Partially Corrected _____ No Further Action Needed _____
Change of Corrective Action _____ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has increased the scope of its internal monitoring to include departmental
Activities.

Preparer's Signature:



Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Special Test and Provisions – On-Site Inspections

Reference Number(s): 2001-13
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 68

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected _____	Not Corrected _____ <input checked="" type="checkbox"/>
Partially Corrected _____	No Further Action Needed _____
Change of Corrective Action _____	(See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has not completed all required site-inspections.

Preparer's Signature:

Julie Johnson

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Financial Reporting

Reference Number(s): 2001-14
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs *(check one)*: Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number *(from Single Audit Report)*: 70

CFDA Numbers and Program Name(s): 14.218 Community Development Block Grant; 14.239 - Home Investment Partnership Program; 14.231 - Emergency Shelter Grants; 14.241 Housing Opportunities for Persons with AIDS.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding *(check one)*:
Fully Corrected _____ Not Corrected _____
Partially Corrected _____ No Further Action Needed _____
Change of Corrective Action _____ *(See OMB A-133 Section 315(b)(4))*

Description of Status: *(include corrective action planned and anticipated completion date, if applicable)*:
The CNO is continuing to update and reconcile the financial information in the IDIS system.

Preparer's Signature: *Julie Sherman Vassio*
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Financial Reporting

Reference Number(s): 2001-15
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 72

CFDA Numbers and Program Name(s): 14.218 - Community Development Block Grant; 14.239 - Home Investment Partnership Program; 14.231 - Emergency Shelter Grants; 14.241 Housing Opportunities for Persons with AIDS; 16.592 - Local Law Enforcement Block Grant 93.914 HIV Emergency Relief.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Justice ; U.S. Department of Health and Human Services.

Status of Finding (check one):

Fully Corrected	<u> X </u>	Not Corrected	<u> </u>
Partially Corrected	<u> </u>	No Further Action Needed	<u> </u>
Change of Corrective Action	<u> </u>	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has resolved the SF 272 reporting issues related to the CDBG, HOME, HOPWA
and ESG programs and continues to reconcile differences related to the HIV Emergency
Relief program.

Preparer's Signature: Julie Shannon Harris
Phone Number: 504-638-4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Earmarking

Reference Number(s): 2001-16
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 75

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program;
93.914 HIV Emergency Relief..

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S.
Department of Health and Human Services.

Status of Finding (check one):

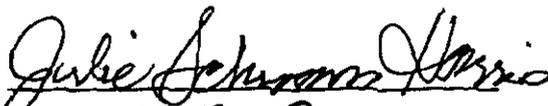
Fully Corrected _____
Partially Corrected _____
Change of Corrective Action _____

Not Corrected _____
No Further Action Needed _____
(See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has not compiled the AIDS statistics to document compliance with the earmarking target and has did not committed 15% of its HOME funds to CHDOs.

Preparer's Signature:



Phone Number:

504-658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Cost Allocation

Reference Number(s): 2001-17
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved Unresolved: N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 78

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant;
14.239 – Home Investment Partnership Program.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	<input type="checkbox"/>
Partially Corrected	<input type="checkbox"/>	No Further Action Needed	<input type="checkbox"/>
Change of Corrective Action	<input type="checkbox"/>	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has updating a cost allocation methodology to allocate rental expense.

Preparer's Signature:

Julie Schwann Harris

Phone Number:

504.658.4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Monitoring

Reference Number(s): 2002-03
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 40

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant; 14.239 Home Investment Partnership Program; 14.241 – Housing Opportunities for Persons with AIDS; 14.248 – Community Development Block Grants Section 108 Loan Guarantees; 17.249 – Workforce Investment Act; 94.914 HIV Emergency Relief; 93.926 – Healthy Start Initiatives.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Labor; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected _____
Partially Corrected
Change of Corrective Action _____

Not Corrected _____
No Further Action Needed _____
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO will ensure that deficiencies in all sub-recipient contracts will be corrected and all delinquent audit reports obtained.

Preparer's Signature:

John Schwab
504 638 4961

Phone Number:

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Program Income

Reference Number(s): 2002-08
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 54

CFDA Numbers and Program Name(s): 14.221 – Urban Development Action Grant – Grantee Loans.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____ <input checked="" type="checkbox"/>
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):
The UDAG audit was completed and the CNO will pursue collection of outstanding UDAG loan balances.

Preparer's Signature: Julie Apperson Jones
Phone Number: 504 265 8496

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: *Davis-Bacon Act*

Reference Number(s): 2002-09
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 56

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant;
14.239 Home Investment Partnership Program; 14.248 Community Development Block Grant –
Section 108 Loan Guarantees

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u> X </u>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: *(include corrective action planned and anticipated completion date, if applicable):*

The management of the CNO has implemented and continues to improve its Davis-Bacon
monitoring procedures.

Preparer's Signature: *Julie Schyman Huson*
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Suspension and Debarment Certifications

Reference Number(s): 2002-10
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2000

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 58

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant; 93.926 – Health Start Initiatives.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services.

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):
The management of the CNO has a system in place to obtain all required suspension and debarment certifications.

Preparer's Signature: Julie Schwann Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Matching

Reference Number(s): 2002-11
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2000

Amount of Questioned Costs in Finding: \$ 1,169,337

Status of Questioned Costs (check one): Resolved _____ Unresolved: X N/A _____

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Still in negotiation.

Page Number (from Single Audit Report): 61

CFDA Numbers and Program Name(s): 14.231 – Emergency Shelter Grant; 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

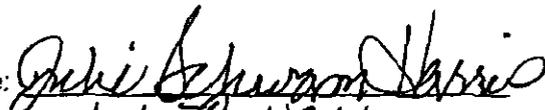
Status of Finding (check one):

Fully Corrected	_____	Not Corrected	<u> X </u>
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	{See OMB A-133 Section 315(b)(4)}	

Description of Status: *(include corrective action planned and anticipated completion date, if applicable):*

The Department of Housing and Neighborhood Development is currently compiling the information to document the HOME and ESG match.

Preparer's Signature:



Phone Number:

504 638 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Special Test and Provisions - On-Site Inspections

Reference Number(s): 2002-12
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 64

CFDA Numbers and Program Name(s): 14.239 -- Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____ <input checked="" type="checkbox"/>
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has not completed all required site-inspections.

Preparer's Signature:

Julie Schuman Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Financial Reporting

Reference Number(s): 2002-13
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 66

CFDA Numbers and Program Name(s): 14.218 Community Development Block Grant; 14.239 – Home Investment Partnership Program; 14.231 – Emergency Shelter Grants; 14.241 Housing Opportunities for Persons with AIDS.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):
Fully Corrected _____ Not Corrected _____ X
Partially Corrected _____ No Further Action Needed _____
Change of Corrective Action _____ (See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):
The CNO is continuing to update and reconcile the financial information in the IDIS system.

Preparer's Signature: Julie Schwann Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Eligibility

Reference Number(s): 2002-18
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2002

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 78

CFDA Numbers and Program Name(s): 10.557 -- Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Federal Grantor Agency(ies): U.S. Department of Agriculture.

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____ <input checked="" type="checkbox"/>
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO is examining its data base to ascertain the modifications needed to resolve this condition.

Preparer's Signature:

Julie Schwann Harris

Phone Number:

804 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2004

Finding Title: Subrecipient and Departmental Monitoring and Reporting

Reference Number(s): 2003-01
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 38

CFDA Numbers and Program Name(s): 93.926 – Healthy Start Initiatives

Federal Grantor Agency(ies): U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	{See OMB A-133 Section 315(b)(4)}	

Description of Status: *(include corrective action planned and anticipated completion date, if applicable):*

The CNO has improved its monitoring of departmental activities and implemented a fully
Compliant monitoring system.

Preparer's Signature:

Julie Bernard Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Cost Allocation

Reference Number(s): 2003-02

(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Not Applicable

Page Number (from Single Audit Report): 39

CFDA Numbers and Program Name(s): 14,218 – Community Development Block Grant; 14,239 Home Investment Partnership Program.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected

Partially Corrected _____

Change of Corrective Action _____

Not Corrected _____

No Further Action Needed _____

{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has updated a cost allocation methodology to allocate rental expense.

Preparer's Signature:

Julie Johnson Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Davis-Bacon Act

Reference Number(s): 2003-03 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 42

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant;
14.239 - Home Investment Partnership Program; 14.248 – Community Development Block
Grants- Section 108 Loan Guarantees (Section108)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u> X </u>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has implemented and continues to improve its Davis-Bacon
monitoring procedures.

Preparer's Signature: Julie Johnson

Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Eligibility

Reference Number(s): 2003-04
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 44

CFDA Numbers and Program Name(s): 10.557 – Home Investment Partnerships Program (HOME)

Federal Grantor Agency: U.S. Department of Housing and Urban Development

Status of Finding (check one):
Fully Corrected _____ Not Corrected _____
Partially Corrected _____ No Further Action Needed _____
Change of Corrective Action _____ (See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):
The CNO will continue to take appropriate steps to ensure compliance with all regulations Related to the HOME program.

Preparer's Signature: Julie Schwann Harris
Phone Number: 504-658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Eligibility

Reference Number(s): 2003-05
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2002

Amount of Questioned Costs in Finding: \$-0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 46

CFDA Numbers and Program Name(s): 10.557 -- Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Federal Grantor Agency(ies): U.S. Department of Agriculture.

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO is monitored by the State of Louisiana that has a system in place to resolve this issue.

Preparer's Signature: Julio Schwann Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Equipment and Real property Management

Reference Number(s): 2003-06

(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2002

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Not Applicable

Page Number (from Single Audit Report): 48

CFDA Numbers and Program Name(s): 14,218 – Community Development Block Grant; 14,239 Home Investment Partnership Program; 17,258 - Workforce Investment Act-Adult (WIA); 17,259 – Workforce Investment Act- Youth (WIA); 17,260 Workforce Investment Act- Dislocated Worker (WIA)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Labor (USDOL)

Status of Finding (check one):

Fully Corrected

Not Corrected _____

Partially Corrected _____

No Further Action Needed _____

Change of Corrective Action _____

(See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has taken steps to insure compliance with equipment management regulations.

Preparer's Signature:

Julie Schumann Davis

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Matching

Reference Number(s): 2003-07
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ 611,200

Status of Questioned Costs (check one): Resolved _____ Unresolved: X N/A _____

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Still in negotiation.

Page Number (from Single Audit Report): 64

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u> X </u>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO submitted a MATCH remediation plan to HUD to address all the cumulative HOME match requirements.

Preparer's Signature: Julie Johnson Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2003

Finding Title: Earmarking

Reference Number(s): 2003-08
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2000

Amount of Questioned Costs in Finding: \$ 98,179

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Still in negotiation

Page Number (from Single Audit Report): 52

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program; HIV
Emergency Relief (Ryan White)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S.
Department of Health and Human services

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

Not Corrected _____
No Further Action Needed _____
(See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has not compiled the AIDS statistics to document compliance with the earmarking requirements. The CNO did meet its HOME funds 15% requirement for funds to CHDOs.

Preparer's Signature: Julie Schuyler Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Suspension and Debarment Certifications

Reference Number(s): 2003-09
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2000

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 55

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program;
20.106 - Airport Improvement Program – N.O Aviation Board (NOAB)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Transportation.

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has taken appropriate steps to assure that required suspension and debarment certifications are obtained.

Preparer's Signature: Julie Schwann Harris
Phone Number: 504 638 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Program Income

Reference Number(s): 2003-10
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 57

CFDA Numbers and Program Name(s): 14.221 – Urban Development Action Grant –Grantee Loans (UDAG)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):
Fully Corrected X Not Corrected _____
Partially Corrected _____ No Further Action Needed _____
Change of Corrective Action _____ (See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):
The management of the CNO has take appropriate steps to ensure program income is properly accounted for.

Preparer's Signature: Julie Schramm Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Financial Reporting

Reference Number(s): 2003-11
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 59

CFDA Numbers and Program Name(s): 14.218 Community Development Block Grant

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development (CDBG)

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

Not Corrected _____
No Further Action Needed _____
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO is continuing to update and reconcile the financial information in the IDIS system.

Preparer's Signature:

Julie Sherman Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2004

Finding Title: Reporting

Reference Number(s): 2003-12
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Page Number (from Single Audit Report): 61

CFDA Numbers and Program Name(s): 93.914 - HIV Emergency Relief (Ryan White);
93.926 - Healthy Start Initiatives (Great Expectations)

Federal Grantor Agency(ies): U.S. Department of Health and Human Services.

Status of Finding (check one):

Fully Corrected	<u> X </u>	Not Corrected	<u> </u>
Partially Corrected	<u> </u>	No Further Action Needed	<u> </u>
Change of Corrective Action	<u> </u>	(See OMB A-133 Section 315(b)(4))	

Description of Status: (Include corrective action planned and anticipated completion date, if applicable):
The CNO has resolved the SF 272 reporting issues related to the HIV Emergency Relief
Program and the Healthy Start Initiatives.

Preparer's Signature: *Julee Johnson Harris*
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2004

Finding Title: Internal Control – Monitoring of Programmatic and Fiscal Activities

Reference Number(s): 2003-13
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 63

CFDA Numbers and Program Name(s): 93.926 – Healthy Start Initiatives

Federal Grantor Agency(ies): U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected X Not Corrected _____
Partially Corrected _____ No Further Action Needed _____
Change of Corrective Action _____ (See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has improved its monitoring of departmental activities and implemented a fully
Compliant monitoring system.

Preparer's Signature:

Julie Schwann Harris

Phone Number:

(504) 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2004

Finding Title: Monitoring

Reference Number(s): 2003-14
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 66

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant (CDBG)
14.239 – Home Investment Partnership Program (HOME)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u> X </u>	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO is continuing to ensure that subrecipients are monitored in accordance with
federal requirements.

Preparer's Signature:

Julie Schumpert Herin
504 658 4961

Phone Number:

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2004

Finding Title: *Special Tests and Provisions – On-Site Inspections*

Reference Number(s): 2003-15
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Single Audit Report): 69

CFDA Numbers and Program Name(s): 93.926 – Healthy Start Initiatives

Federal Grantor Agency(ies): U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____ <u>X</u>
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has not completed all required site inspections.

Preparer's Signature: *Julie Schram Harris*

Phone Number: 504 658 4961



Member
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Certified Public Accountants
Society of Louisiana
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Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
New Orleans, Louisiana

We have audited the Schedule of Expenditures of Federal Awards (the Schedule) of the City of New Orleans for the year ended December 31, 2004 and have issued our report thereon dated June 3, 2005. In planning and performing our audit of the Schedule, we considered the City of New Orleans' internal control over financial reporting and compliance for the purpose of expressing an opinion on the schedule and not to provide assurance on internal control over financial reporting and compliance.

During our audit, we became aware of the following matters that are opportunities for strengthening internal control and operating efficiency.

ALL PROGRAMS - PROCUREMENT

During the course of our audit we noted that a contract to a successful bidder in the amount of \$2,180,740 was awarded to a vendor for the performance of asphalt maintenance services be performed during the period of October 1, 2001 through September 31, 2002.

As noted in the Instruction to Bidders and General Conditions, "Estimated quantities (indicated in the bid proposal) are strictly for estimating purposes only and may be increased or decreased in accordance with City of New Orleans requirements" and "Subject to the approval of both the successful vendor and the City of New Orleans, the contract may be renewed for an additional year provided all pricing, terms and conditions remain the same".

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
Page 2

ALL PROGRAMS - PROCUREMENT, CONTINUED

Our test work indicated that the contract related to this award was extended on three (3) occasions through March 31, 2004 and the expenditures incurred under the contract approximated to approximated \$16,987,000.

Recommendation

We recommend that the requirements and specifications included in the bid proposal more closely reflect the actual needs for the services being requested to potentially result in a more favorable cost to the City of New Orleans.

COMMUNITY DEVELOPMENT BLOCK GRANT - SECTION 108 LOAN GUARANTEE

The City of New Orleans has various outstanding loan guarantee receivable balances from sub-recipients under the Section 108 Loan Guarantee Program. During the course of our test work we noted that at December 31, 2004 two (2) sub-recipients are delinquent on their repayments to the City of New Orleans based on the loan repayment schedules that were part of their loan agreement with the City of New Orleans.

Recommendation

We recommend that the City of New Orleans ensure that all sub-recipients under its Section 108 Loan Guarantee program are timely on their repayments to the City of New Orleans to prevent unnecessary cash flow burdens on the City of New Orleans related to the City's repayment obligations to the U.S. Department of Housing and Urban Development.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Members of the
City Council and the
Honorable C. Ray Nagin, Mayor
City of New Orleans
Page 3

URBAN DEVELOPMENT ACTION GRANT - GRANTEE LOANS

At December 31, 2004, the financial books and records of the City of New Orleans include fourteen (14) individual loan receivable balances, aggregating approximately \$13,863,000, previously made under the Urban Development Action Grant program to stimulate economic development in the City. Our discussions with the management of the agency with primary responsibility for the administration of the program indicate that the amount reflected on the financial books and records of the City may not represent the ultimate realizable value of these receivable balances due to certain terms and conditions included in the individual loan agreements.

Recommendation

We recommend that management continue to explore the ultimate realizable balance of these receivable balances in coordination with the appropriate City departments (i.e. legal, finance, etc.) and that the appropriate actions be undertaken to ensure that these receivable balances are stated at their net realizable values in the books and records of the City of New Orleans.

This letter does not affect our report dated June 3, 2005 on the Schedule of Expenditures of Federal Awards of the City of New Orleans. This letter is intended solely for the information and use of the City Council, the Mayor of the City of New Orleans, management, and federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 3, 2005



**CITY OF ORLEANS
CORRECTIVE ACTION PLAN-INDEPENDENT AUDITOR'S COMMENTS TO MANAGEMENT
DECEMBER 31, 2004**

MANAGEMENT COMMENTS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/RASS THROUGH AGENCY CONTACT
<p>PROCUREMENT</p> <p>1. The Independent Auditors noted that the City of New Orleans did not adhere to established procurement procedures. The Independent Auditors test indicated that an award was extended on three (3) occasions which exceeded the additional year option as specified in the bid documents.</p>	<p>The management of the City of New Orleans concurs with the Independent Auditors. The City released a bid to correct this situation in August 2004. In the future, the City will adhere to requirements and specifications included in the bid proposals</p>	<p>Accomplished</p>	<p>Reginald Zero Alberta Pate</p>	<p>HUD</p>
<p><u>COMMUNITY DEVELOPMENT BLOCK GRANT - SECTION 108 LOAN GUARANTEE</u></p> <p>2. The Independent Auditors noted that the City of New Orleans has various outstanding loan guarantee receivable balances from sub-recipients under the Section 108 Loan Guarantee Program.</p>	<p>The Office of Economic Development is currently working directly with the two sub-recipients to remedy their specific problems which led to non-payment.</p>	<p>Dec. 2005</p>	<p>Don Hutchinson</p>	<p>HUD</p>

MANAGEMENT COMMENTS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACT
<p><u>URBAN DEVELOPMENT ACTION GRANT - GRANTEE LOANS</u></p> <p>The Independent Auditors noted that at December 31, 2004, the financial books and records of the City of New Orleans include fourteen (14) individual loan receivable balances, aggregating approximately \$13,863,000, previously made under the Urban Development Action Grant program to stimulate economic development in the City. Our discussions with the management of the agency with primary responsibility for the administration of the program indicate that the amount reflected on the financial books and records of the City may not represent the ultimate realizable value of these receivable balances due to certain terms and conditions included in the individual loan agreements.</p>	<p>The Office of Economic Development recently commissioned a forensic audit of the UDAG program. The plan is to use the results of this audit to reconcile the receivable balances and to ask the Law Department to assist in determining a legal strategy to forgive the outstanding home mortgage loans that are uncollectible. The mortgage agreements state that nothing is owed to the City upon sale or refinance after fifteen years of living in the residence. Due to City Council's deferrals of payments, the fifteen year mark has expired and the likelihood of collecting any substantial sum diminishes each year.</p>	<p>Accomplished</p>	<p>Don Hutchinson</p>	<p>HUD</p>

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2004

Comment Title: Programmatic Data Base

Reference Number(s): MLC-2001-03
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2001

Amount of Questioned Costs in Comment: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Management Letter): 3

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has completed the establishment of a
programmatic data base.

Preparer's Signature:

Jubie Schuman Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2003

Comment Title: Programmatic Data Base

Reference Number(s): MLC-2002-03
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2001

Amount of Questioned Costs in Comment: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Management Letter): 2

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	<u> X </u>	Not Corrected	<u> </u>
Partially Corrected	<u> </u>	No Further Action Needed	<u> </u>
Change of Corrective Action	<u> </u>	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has completed the establishment of a programmatic data base.

Preparer's Signature: Julie Schwam Harris
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2004

Comment Title: Coordination Between City Departments

Reference Number(s): MLC-2002-04
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2002

Amount of Questioned Costs in Comment: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Management Letter): 3

CFDA Numbers and Program Name(s): 14.248 – CDBG Section 108

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has clearly defined the responsibilities for compliance with CDBG Section 108 compliance.

Preparer's Signature:

Julie Ann Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2004

Comment Title: Programmatic Data Base

Reference Number(s): MLC-2003-01
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2001

Amount of Questioned Costs in Comment: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?
Not Applicable

Page Number (from Management Letter): 1

CFDA Numbers and Program Name(s): 14.239 - Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	<u> X </u>	Not Corrected	<u> </u>
Partially Corrected	<u> </u>	No Further Action Needed	<u> </u>
Change of Corrective Action	<u> </u>	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has completed the establishment of a programmatic data base.

Preparer's Signature:

Julie Schumann Harris

Phone Number:

504 658 4961

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2004

Comment Title: Coordination Between City Departments

Reference Number(s): MLC-2003-02
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2002

Amount of Questioned Costs in Comment: \$ -0-

Status of Questioned Costs (check one): Resolved _____ Unresolved: _____ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?
Are they still in negotiation?

Not Applicable

Page Number (from Management Letter): 2

CFDA Numbers and Program Name(s): 14.248 – CDBG Section 108

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected	<u> X </u>	Not Corrected	<u> </u>
Partially Corrected	<u> </u>	No Further Action Needed	<u> </u>
Change of Corrective Action	<u> </u>	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has clearly defined the responsibilities for compliance with
CDBG Section 108 compliance.

Preparer's Signature: Julie Schwane Harris
Phone Number: 504 658 4961